CHINA YUNNAN TIN MINERALS GROUP COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 263)

2013 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Zhang Guoqing *(Chairman)*
Ng Shin Kwan, Christine
Lee Jalen
Chan Ah Fei
Lee Yuk Fat
Liang Shan

Independent Non-executive Directors

Wong Yun Kuen
Wong Shun Loy
Hu Chao

AUDIT COMMITTEE

Wong Shun Loy *(Chairman)*
Wong Yun Kuen
Hu Chao

NOMINATION COMMITTEE

Wong Yun Kuen *(Chairman)*
Wong Shun Loy
Hu Chao
Ng Shin Kwan, Christine

REMUNERATION COMMITTEE

Hu Chao *(Chairman)*
Wong Yun Kuen
Wong Shun Loy

COMPANY SECRETARY

Leung Ka Wai

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock code: 263)

REGISTERED OFFICE

Units 2502–5, 25th Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd., Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Agricultural Bank of China, Yangshan Branch

PRINCIPAL LEGAL ADVISERS

Reed Smith Richards Butler
P.C. Woo & Co.
Tsang, Chan & Wong

AUDITORS

Pan-China (H.K.) CPA Limited
Certified Public Accountants

SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.cytmg.com

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Yunnan Tin Minerals Group Company Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013.

BUSINESS REVIEW

The global economy had experienced a promising 2013 with many significant developments in the financial world. China's economy showed signs of stabilisation with its fourth quarter GDP growth rate being 7.7%, a mere 0.1 percentage point drop compared to the third quarter. For the full year 2013, China's GDP grew by 7.7%. For United States, although it is battling with some issues around its debt, there is evidence showing a picking up of momentum as the unemployment rate improved to circa 6.7% in December 2013 which is well below its recession peak of 10% in October 2009.

As at 31 December 2013, the Group recorded a loss attributable to the Company's shareholders of approximately HK$178,000 (2012: HK$246,300,000). Such an improvement was mainly due to the recognition a gain on financial assets at fair value through profit or loss of approximately HK$49,412,000 (2012: loss on financial assets at fair value through profit or loss of approximately HK$94,654,000) and reversal of impairment loss on the mining right of approximately HK$17,000,000 (2012: impairment loss on the mining right of HK$174,019,000).

Minerals operation is one of the Group's principle activities. Due to a notice issued by the Department of Land and Resources of Lian Nan Yao Autonomous County (連南瑤族自治縣國土資源局) (the "Department") ordering the suspension of all mining operations in the Lian Nan County until further notice since 16 February 2012 (the "Order") , the Group has stopped its minerals operation and therefore, there was no turnover generated from this division for the year ended 31 December 2013 (2012: HK$1,888,000). During the year, the southern part of China continued to be suffered from heavy rainstorms. It was subject to attack by two extraordinary strong typhoons in August and September 2013, which brought heavy rain falls and triggered floods and landslides. Although the People Republic of China (the "PRC") government as well as the Group have started repair work for the highway and the roads leading to the mixed metal mine ("Mine") respectively, yet in view of the severe damages to the highway and the roads, further repair work is still required to be done to enable full accessibility of the area surrounding and leading up to the Mine, by cars, trucks and other transportations. For the uplift of the Order, the Group has been continuing to pursue the uplift of the Order with the relevant governmental authorities of the PRC (the "Authorities"). But up to the date of this report, there is still no concrete and clear indication given by the Authorities as to when the Order will be uplifted.

PROSPECTS

In the first quarter of 2014, some new downside risks, which may affect the recovery progress of the overall global economy, have emerged. In western countries, the Ukraine crisis raises tension between the west and Russia, US and European Union have threatened to impose sanctions against Russia which may affect tens of billions of dollars in trade and investment between these massive economies. In the PRC, the fluctuation of the Renminbi (the "RMB") exchange rate in these few months will also increase the money market volatility, which may constitute an adverse impact on the PRC economy. Coupled with the Kunming railway station attack which might suggest the possibility of a terrorism scheme against the PRC, the Group is of the view that there are many uncertainties and unclear directions with respect to the outlook of the 2014 global economy.

Chairman's Statement

For the industry prospects, the Group expects that the price of the iron ore product will have a moderate decline in 2014 mainly due to the following reasons: (1) over-expansion of the iron and steel industry in the past few years; (2) decrease in prosperity of the property market and infrastructure investments in certain second and third tiers cities of the PRC; (3) the change in the RMB appreciation expectation; and (4) the PRC policy to battle against industrial pollution which might pose adverse impacts on the steel industry. However, the Group expects the above will only create a short-term impact on the iron and steel industry. Overall, the Group remains relatively optimistic on the long-term prospect of the industry.

For the mining activities of the Mine, the Group will continue to follow up with the PRC Authorities and make necessary preparation for the recommencement of the mining operation in the near future. The Group anticipates that as soon as the Order is uplifted, the production of the Mine will resume.

It is the Group's strategy to continue identifying suitable mineral projects that may have a good profit and/or development potential for investment with the objectives of enhancing the Group's business operations and, more importantly, maximising the long term return for shareholders of the Company. On 8 February 2013 and 26 June 2013, the Group entered into an acquisition agreement and a supplemental agreement in relation to the acquisition of Mega Marks Limited (the "Target Company" and together with its subsidiaries, the "Target Group"). The Target Group is principally engaged in the iron ore mining and ore processing operation in Xinjiang Uygur Autonomous Region, the PRC. The Board believes that the acquisition represents a valuable investment opportunity for the Group, having considered the amount of proved and probable reserves as well as indicated resources at the target mines and the future growth opportunity of the target mines to generate revenue and cash flow to the Group. Details of the transaction are set out in the announcements of the Company dated 14 February 2013, 25 February 2013, 26 June 2013, 6 December 2013, 12 December 2013 and 28 February 2014.

APPRECIATION

I would like to take this opportunity to thank shareholders and investors of the Company for their continuous supports, as well as management and the staff of the Company for their commitment and dedication towards the Group in ensuring its growth and success. My heartfelt gratitude also goes to our customers, suppliers, bankers, business associates and all our stakeholders for their cooperation. Finally, I would also like to record my appreciation to my fellow directors on the Board for their invaluable contribution throughout the year.

Zhang Guoqing
Chairman

Hong Kong, 27 March 2014

Management Discussion and Analysis

BUSINESS REVIEW

During the year under review, the turnover of the Group was down by approximately 67% to approximately HK$4,400,000 (2012: HK$13,500,000) and the gross profit was decreased by approximately 73% to approximately HK$2,916,000 (2012: HK$10,745,000). Such a significant decrease in turnover was mainly attributable to decreased activity in the finance operation and the suspension of the mining activities on the Mine as discussed in the Chairman's Statement.

For the year ended 31 December 2013, the Group recorded a loss attributable to equity holders of the Company of approximately HK$178,000 (2012: HK$246,300,000), representing a decrease of approximately 99.93% when compared to last year. Such an improvement was mainly due to the recognition a gain on financial assets at fair value through profit or loss of approximately HK$49,412,000 (2012: loss on financial assets at fair value through profit or loss of HK$94,654,000) and reversal of impairment on mining right of approximately HK$17,000,000 (2012: impairment loss on mining right of HK$174,019,000).

OPERATIONS REVIEW

Minerals Operation

Minerals operation is one of the principle activities of the Group. Our mixed metal mine ("Mine"), located approximately 39 kilometers south-east of the Lian Nan County Town and approximately 1.6 kilometers south-west of the Baidaitou Village Shanlian Township of Guangdong Province in the PRC, covers an area of approximately 0.4197 km^2. Based on a geological study prepared by 湖南省地質礦產勘查開發局四零八隊 (literally translated as the Hunan Province Geological Mineral Exploration in Development Bureau Team No. 408) as stated in the technical report, the estimated iron resources within the Mine is approximately 1,627,400 tons with an average grade of around 44.71% to 61.86%. Also, there are small amount of copper, lead and tin resources.

On 16 February 2012, a notice issued by the Department of Land and Resources of Lian Nan Yao Autonomous County (連南瑤族自治縣國土資源局) (the "Department") ordering the suspension of all mining operations in the Lian Nan County until further notice (the "Order"). During the year, the minerals operation on the Mine was seriously obstructed due to the Order. The Group has been continuing to pursue the uplift of the Order with the relevant governmental authorities of the PRC (the "Authorities"), but up to the date of this report, there is still no concrete and clear indication given by the Authorities as to when the Order will be uplifted.

Management Discussion and Analysis

The poor weather condition in 2013 also had adverse impacts on the minerals operation. The southern part of China has been experiencing constant rainfalls throughout the year. Then it was subject to attack by two extraordinary strong typhoons in August and September 2013, which brought heavy rainfalls and triggered floods and landslides. Although the PRC Government as well as the Group have started repair work for the highway and the roads leading to the Mine respectively, yet in view of the severe damages to the highway and the roads, further repair work is still required to be done to enable full accessibility of the area surrounding and leading up to the Mine, by cars, trucks and other transportations.

The Group will issue further announcement(s) on any significant development with respect to its mining operations as and when necessary.

Due to the heavy rainstorms during the year and suspension of all mining operations on the Mine by the Order, the Group has no turnover generated from its minerals operation (2012: HK$1,888,000) and recorded an operating profit of approximately HK$9,399,000 (2012: operating loss of HK$222,562,000) during the year. The operating profit on the mining operations was mainly resulted from the reversal of impairment loss of approximately HK$17,000,000 on the mining right (2012: impairment loss on mining right of HK$174,019,000).

Trading Operation

During the year under review, the trading operation was inactive and therefore no turnover was generated (2012: Nil).

Finance Operation

The interest income and operating loss generated by the financing operation were approximately HK$329,000 (2012: HK$8,214,000) and approximately HK$717,000 (2012: operating profit on HK$7,336,000) respectively. Such decreases were primarily attributable to the lower average balance of loans advanced to customers as compared to last year. It is the Group's policy to adopt a prudent approach and regularly review the composition of the loans portfolio and lending rates charged in order to maximise the return and minimise the risks of the financial operation.

Brokerage and Securities Investment Operation

The turnover of the brokerage and securities investment operation, being mainly the brokerage and commission income of the Group's securities brokerage division, increased by approximately 20% to approximately HK$4,071,000 (2012: HK$3,398,000). Such an increase was primarily attributable to the higher transaction volume of the securities brokerage activities. The overall performance of the operation recorded a profit of approximately HK$51,225,000 (2012: operation loss of HK$94,822,000). The profit incurred for the operation was primarily attributable to the unrealised gain on investment in securities which amounted to approximately HK$62,736,000 (2012: unrealised loss of HK$84,684,000), resulted mainly from the increase in the market prices of listed securities held by the Group for investment purpose. As at 31 December 2013, the market value of the Group's listed securities portfolio was approximately HK$405,370,000 (2012: HK$352,974,000).

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 31 December 2013, the Group had current assets of approximately HK$866,512,000 (2012: HK$840,355,000) and liquid assets comprising bank balances and marketable Hong Kong listed securities totaling approximately HK$456,868,000 (excluding pledged bank balances held under segregated trust accounts) (2012: HK$713,502,000). The significant decrease in the liquid assets was mainly due to the payment of earnest money made pursuant to the acquisition agreement entered into by the Group on 8 February 2013 regarding the proposed acquisition of the Target Company. The Group's current ratio, calculated on the basis of current assets of approximately HK$866,512,000 (2012: HK$840,355,000) over current liabilities of approximately HK$96,455,000 (2012: HK$73,614,000) was at strong level of approximately 8.98 (2012: 11.42). The Group had no bank and other borrowings (2012: Nil) and no finance lease obligation (2012: Nil) at the end of the reporting period.

At the end of the reporting period, the equity attributable to Company's equity owners amounting to approximately HK$1,217,693,000 (2012: HK$1,216,238,000), representing an increase of approximately 0.12% compared to 2012, which was equivalent to a consolidated net asset value of about approximately HK$3.14 per share of the Company (2012: HK$3.13 per share).

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi (the "RMB"), US dollars and Australian dollars. The Group maintains a prudent strategy in its foreign currency risk management, to a large extent, foreign exchange risks are minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant and no hedging measure has been undertaken by the Group.

Pledge of Asset

At 31 December 2013, the Group has no fixed assets (2012: Nil) pledged as security for any credit facilities granted to the Group.

Capital Commitment

The Group has no capital commitments as at 31 December 2013 (2012: HK$4,800,000).

Contingent Liability

A subsidiary of the Company principally engaged in securities brokerage business may be subject to a maximum penalty of HK$10,000,000 to the enforcement agency in relation to certain allegedly irregular transactions conducted by a former employee of the subsidiary. The matters are currently under investigation by the enforcement agency. As the ultimate outcome of the matter cannot be reasonably predicted, it is reasonable for the Group to assume that the contingent liability of this case will be the maximum penalty of HK$10,000,000.

Management Discussion and Analysis

MATERIAL ACQUISITION AND DISPOSAL

Reference is made to the announcements of the Company dated 14 February 2013, 25 February 2013, 26 June 2013, 6 December 2013, 12 December 2013 and 28 February 2014. On 8 February 2013, the Group entered into a sale and purchase agreement in relation to the acquisition of Target Group at an aggregate consideration of HK$1,200,000,000 (subject to adjustment). Terms used hereinafter are defined in the above announcements.

The Consideration will be satisfied as to HK$690,000,000 in cash, as to HK$210,000,000 by the allotment and issue of the Consideration Shares and as to HK$300,000,000 by the issue of the Convertible Bonds. The Target Group is principally engaged in the iron ore mining and ore processing operation in Xinjiang Uygur Autonomous Region, the PRC. On 26 June 2013, the Group and the vendor executed a supplemental agreement and agreed to amend certain terms of the sale and purchase agreement, principally relating to (1) the adjustment mechanisms of Consideration as set out in the sale and purchase agreement and (2) inclusion of condition precedents(s) that cannot be waived by the parties. As additional time is required to prepare and finalise the information to be included in the circular in respect of the said acquisition, the circular will be despatched to the Shareholders on or before 31 May 2014.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

The following is the significant event which has taken place subsequent to the end of the reporting period:

On 21 January 2014, the Company entered into a placing agreement (the "Placing Agreement") with Freeman Securities Limited (the "Placing Agent"), pursuant to which the Placing Agent has conditionally agreed to procure subscribers to subscribe for the convertible notes in the aggregate principal amount of up to HK$400,000,000. On 25 March 2014, the Company and the Placing Agent mutually agreed to terminate the Placing Agreement by entering into a termination agreement. Details of the transaction are set out in the announcements of the Company dated 21 January 2014 and 25 March 2014.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2013, the Group had approximately 65 (2012: 68) employees including executive directors. Total staff costs incurred during the year (including directors' remuneration) was approximately HK$18,516,000 and increased by approximately 14% when compared to approximately HK$16,252,000 in 2012. The Group generally remunerates its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Benefits offered by the Group to its employees included discretionary bonus, mandatory provident fund scheme, share options, training subsidies as well as medical insurance.

Biographical Details of Directors and Senior Management

DIRECTORS

Dr. Zhang Guoqing, aged 53, has been Executive Director and Chairman of the Company since November 2010. Dr. Zhang is a material scientist graduated from Northeastern University in the People's Republic of China (the "PRC") and obtained a Ph.D. degree in Material Science from South Central University in the PRC. He is also a recipient of a number of scientific awards in China. Dr. Zhang possesses extensive experience in corporate management, business development, corporate finance and research and development of metal alloys in the PRC and Australia, and was previously the Deputy General Manager of Sino-Platinum Metals Company Limited, a company whose shares are listed on the Shanghai Stock Exchange. Dr. Zhang currently holds various executive positions in Australia and is vice chairman and general manager of Yunnan Tin Australia Investment Holding Company Pty Ltd. He was also a director of YTC Resources Limited ("YTC", a company whose shares are listed on the Australian Securities Exchange) from February 2008 to November 2011.

Ms. Ng Shin Kwan, Christine, aged 45, has been Executive Director of the Company since August 2007. Ms. Ng holds a Bachelor of Economics degree from University of Sydney in Australia and has over 15 years of experience in business development, corporate management and investment fields and held executive positions in various investment and securities companies. Ms. Ng was a director of YTC from June 2008 to November 2013.

Mr. Lee Jalen, aged 50, has been Executive Director of the Company since January 2010. Mr. Lee has extensive experience in mineral trading and corporate management and development in the PRC and had worked as a consultant of a subsidiary of the Company for providing consultancy services for its mining business in the PRC.

Mr. Chan Ah Fei, aged 51, has been Executive Director of the Company since November 2010. Mr. Chan has more than 20 years of experience as key management in electric power supply, telecommunications, geological surveying and mining businesses. He received a geological surveying qualification from 甘肅蘭州礦業學院 (literally translated as Gansu Lanzhou Mining Academy). Mr. Chan has founded 青海創綠投資管理有限公司 (literally translated as Qinghai Chuanglu Investment Management Limited) since 2000, which is principally engaged in provision of consultancy service in relation to mining right, including the mineral exploitation, extraction, processing and production at mines primarily located in the northwestern and southwestern regions of the PRC. Mr. Chan is currently a director of Great Wall Hong Kong Investment Co. Limited, which provides advisory services in relation to geological surveying and mining.

Mr. Lee Yuk Fat, aged 41, has been Executive Director of the Company since November 2010. Mr. Lee is a manager of the China division and a member of the investment committee for subsidiaries of the Company. He also holds directorships in various subsidiaries of the Company. Mr. Lee has more than 10 years of experience in the finance and securities industry and is a chairman of board of director of Pico Zeman Securities (HK) Limited. He is also a director of Hong Kong Energy and Minerals United Associations, a non-profit making entity aiming to gather congruent power and to increase business opportunities in the energy and minerals sector.

Mr. Liang Shan, aged 50, has been Executive Director of the Company since January 2014. Mr. Liang graduated from the Graduate School of Chinese Academy of Social Sciences with a master degree in monetary and banking studies (貨幣銀行學專業學習) of the Faculty of Finance and Economics (財貿經濟系). He has extensive experience in banking industry, iron ore trading and property development and has worked for various companies as director and general manager in the past.

Biographical Details of Directors and Senior Management

Dr. Wong Yun Kuen, aged 56, has been Independent Non-executive Director of the Company since September 2004. Dr. Wong received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited, and the independent non-executive director of Bauhaus International (Holdings) Limited, China Sandi Holdings Limited, Climax International Company Limited, Harmony Asset Limited, Guocang Group Limited (formerly known as Hua Yi Copper Holdings Limited), Kaisun Energy Group Limited, Kingston Financial Group Limited, Kong Sun Holdings Limited, New Island Development Holdings Limited (formerly known as New Island Printing Holdings Limited) and Sincere Watch (Hong Kong) Limited. Dr. Wong was also an independent non-executive director of Hong Kong Life Sciences and Technologies Group Limited from November 2009 to September 2012. All these companies mentioned in this paragraph are listed companies in Hong Kong.

Mr. Wong Shun Loy, aged 49, has been Independent Non-executive Director of the Company since March 2012. Mr. Wong is a Certified Public Accountant (Practising) in Hong Kong and a fellow member of the Hong Kong Institute of Certified Public Accountants. He obtained an Executive Master of Business Administration from Colorado University of Commerce in USA. Mr. Wong has extensive experience in banking, finance and accounting. He is the proprietor of S.L. Wong & Co. and an independent director of Nanchong City Commercial Bank.

Mr. Hu Chao, aged 30, has been Independent Non-executive Director of the Company since March 2012. Mr. Hu obtained a Bachelor Degree in Law from the Hunnan University of Technology (formerly known as Zhuzhou Institute of Technology). He has extensive experience in legal consultation and had been providing consultancy services for various businesses in the PRC.

SENIOR MANAGEMENT

Mr. Leung Ka Wai, aged 33, has been appointed as Finance Manager and the Company Secretary of the Company since June 2012. Mr. Leung is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and holds a bachelor's degree in Economics and a postgraduate diploma in professional accountancy from the Chinese University of Hong Kong. Mr. Leung has over eight years of experience in auditing, finance and accounting and corporate secretarial functions.

Directors' Report

The directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 14 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 27 of this annual report.

The Company had no distributable reserve at 31 December 2013 and the directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 32 to 33 of this annual report and in note 30 to the consolidated financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment approximately HK$12,930,000 (2012: HK$4,876,000) for the purpose of expanding the Group's operation. Details of this and other movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 100 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and the largest customer accounted for approximately 52% and 19% of the Group's total turnover for the year, respectively.

Directors' Report

During the year, there was no purchase made by the Group.

None of the directors of the Company, any of their associates or any shareholders (which, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or the supplier.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Zhang Guoqing
Ng Shin Kwan, Christine
Lee Jalen
Chan Ah Fei
Lee Yuk Fat
Liang Shan (appointed on 1 January 2014)
Chen Shuda (resigned on 1 January 2014)

Independent Non-executive Directors:

Wong Yun Kuen
Wong Shun Loy
Hu Chao

In accordance with Articles 96 and 105(A) of the Company's Articles of Association, Dr. Zhang Guoqing, Mr. Chan Ah Fei, Mr. Lee Yuk Fat and Mr. Liang Shan will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Each of the independent non-executive directors is appointed for a term of twelve-month period. The term will be automatically renewed for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the independent non-executive directors are also subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Company's Articles of Association.

None of the directors of the Company being proposed for re-election at the forthcoming annual general meeting has 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.

Directors' Report

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of director	Capacity	Number of shares	Number of underlying shares	Total interests	Approximate percentage of the issued share capital of the Company
Chen Shuda *(Note 1)*	Interest held by controlled corporation	825,880 *(Note 2)*	–	848,960	0.22%
	Beneficial owner	23,080	–		
Ng Shin Kwan, Christine	Beneficial owner	–	211,455 *(Note 3)*	211,455	0.05%
Wong Yun Kuen	Beneficial owner	9,000	655 *(Note 4)*	9,655	0.00%

Notes:

1. Mr. Chen Shuda has resigned as an executive director on 1 January 2014.

2. These shares are beneficially owned by Super Union Group Limited. Super Union Group Limited is wholly-owned by Mr. Chen Shuda. Accordingly, Mr. Chen Shuda is deemed to be interested in 825,880 shares under the SFO.

3. This represents the interest of Ms. Ng Shin Kwan, Christine in 211,455 underlying shares issuable under the share options granted by the Company to her on 3 December 2007 under the share option scheme of the Company adopted by the shareholders of the Company on 8 November 2006 ("Share Option Scheme"). The consideration paid by Ms. Ng Shin Kwan, Christine on acceptance of the share options granted was HK$1.00. The exercise price is HK$96.80 per share and the exercisable period is between 3 December 2007 and 2 December 2017.

4. This represents the interest of Dr. Wong Yun Kuen in 655 underlying shares issuable under the share options granted by the Company to him on 3 December 2007 under the Share Option Scheme. The consideration paid by Dr. Wong Yun Kuen on acceptance of the share options granted was HK$1.00. The exercise price is HK$96.80 per share and the exercisable period is between 3 December 2007 and 2 December 2017.

Save as disclosed above, as at 31 December 2013, none of the directors or chief executive of the Company had any interests or short positions in the 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 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 Model Code.

Directors' Report

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company and details of movements in the share options of the Company during the year are set out in note 31 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests in Shares, Underlying Shares and Debentures" and "Share Option Scheme" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate; and none of the directors or their spouse or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2013, the register of interest kept by the Company under section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of shares	Total interests	Approximate percentage of the issued share capital of the Company
HEC Capital Limited	Interest held by controlled corporation	32,931,883	32,931,883	8.46%

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2013 as required pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, no director of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to Rule 8.10 of the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

Directors' Report

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE

The audited financial statements of the Group for the year ended 31 December 2013 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board of Directors under the recommendation of the Audit Committee.

The Company has received, from each of the independent non-executive directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their respective responsibilities and contribution to the Group and by reference to market benchmark.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the directors of the Company confirm that the Company has maintained the amount of public float as required under the Listing Rules as at the date of this report.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$500,000 (2012: HK$900,000).

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are set out in note 38 to the consolidated financial statements.

Directors' Report

AUDITORS

Pan-China (H.K.) CPA Limited ("Pan-China") retire and being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Pan-China as auditors of the Company.

On behalf of the Board

Zhang Guoqing
Chairman

Hong Kong, 27 March 2014

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company strives to attain high standards of corporate governance. The board of directors (the "Board") believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximising shareholders' interests.

During the year, the Company has complied with the code provisions of Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the first part of code provision E.1.2 of the CG Code, the chairman of the Board, Dr. Zhang Guoqing, did not attend the annual general meeting held on 27 June 2013 (the "Meeting") as he had another business engagement. The executive director of the Company, who took the chair of the Meeting, and other members of the Board together with the chairmen of the Audit, Nomination and Remuneration Committees and all other members of each of the Audit, Nomination and Remuneration Committees attended the Meeting. The Company considers that the members of the Board and the Audit, Nomination and Remuneration Committees who attended the Meeting were already of sufficient calibre and number for answering questions at the Meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code for the year ended 31 December 2013.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises six executive directors, namely Dr. Zhang Guoqing (Chairman), Ms. Ng Shin Kwan, Christine, Mr. Lee Jalen, Mr. Chan Ah Fei, Mr. Lee Yuk Fat and Mr. Liang Shan (appointed on 1 January 2014); and three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Wong Shun Loy and Mr. Hu Chao. The directors' biographical information is set out in Biographical Details of Directors and Senior Management on pages 9 to 10 of this annual report.

During the year, the Board has at all times met the requirements of rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The independent non-executive directors represent one-third of the Board, which is required by Rule 3.10A of the Listing Rules. The Board believes there is sufficient independence element in the Board to safeguard the interest of shareholders.

Corporate Governance Report

A total of four regular board meetings and one general meeting was held during the year ended 31 December 2013 with individual attendance of directors as follows:

Directors	Attendance/ Number of meetings Board Meetings	General Meeting
Zhang Guoqing	4/4	0/1
Ng Shin Kwan, Christine	4/4	1/1
Lee Jalen	4/4	1/1
Chan Ah Fei	4/4	0/1
Lee Yuk Fat	3/4	0/1
Liang Shan (appointed on 1 January 2014)	N/A	N/A
Wong Yun Kuen	4/4	1/1
Wong Shun Loy	4/4	1/1
Hu Chao	4/4	1/1
Chen Shuda (resigned on 1 January 2014)	3/4	0/1

The Board is primarily responsible for the leadership and control of the Company and is committed to make decision in the interests of both the Company and its shareholders. With delegating authorities from the Board, management of the Company is responsible for daily operations of the Group including management of all aspects of the Group's principal activities.

The Board delegates appropriate aspects of its management and administration functions to management, it also gives clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board determines those functions reserved to the Board and those delegated to the management and these arrangements are reviewed on a periodic basis to ensure they remain appropriate to the needs of the Company.

Directors' Continuous Training and Development

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution into the Board remains informed and relevant.

The Directors are committed to comply with the CG Code A.6.5 on Directors' training. All Directors are provided with training materials covering the topics of "Disclosure of Inside Information", "Environmental, Social and Governance Reporting Guide" and "Listing Rules' Update". All Directors have participated in continuous professional development and provided a record of training they received for the year ended 31 December 2013.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at the date of this report, the Chairman is Dr. Zhang Guoqing and the Company does not have any individual with the title of Chief Executive Officer ("CEO"). The Chairman is responsible for overseeing all Board functions, while the role of CEO is performed collectively by executive directors (excluding Dr. Zhang Guoqing) and senior management of the Company to oversee the day-to-day operations of the Group and implementing the strategies and policies approved by the Board.

The Board considers that under the current arrangement, the balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting operations of the Group.

NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors is appointed for a term of twelve-month period. The term will be automatically renewed for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the independent non-executive directors are also subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Company's Articles of Association.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") has been established by the Board with terms of reference as set out in the CG Code. As at the date of this report, the Nomination Committee consists of three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Wong Shun Loy and Mr. Hu Chao and one executive director, namely Ms. Ng Shin Kwan, Christine. The Chairman of the Nomination Committee is Dr. Wong Yun Kuen. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee held two meetings during the year ended 31 December 2013 to discuss the retirement and re-appointment arrangement of the Directors in the Company's forthcoming annual general meeting with individual attendance of members as follows:

Members	**Attendance/ Number of meetings**
Wong Yun Kuen *(Chairman)*	2/2
Wong Shun Loy	2/2
Hu Chao	2/2
Ng Shin Kwan, Christine	2/2

The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors on a regular basis and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of Independent Non-executive Directors and making recommendations to the Board of Directors on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors. The recommendations of the Nomination Committee are then put forward for consideration and adoption, where appropriate, by the Board.

Corporate Governance Report

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established with terms of reference as set out in the CG Code. As at the date of this report, the Remuneration Committee consists of three independent non-executive directors, namely Mr. Hu Chao, Dr. Wong Yun Kuen and Mr. Wong Sun Loy. The Chairman of the Remuneration Committee is Mr. Hu Chao. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held two meetings during the year ended 31 December 2013 to discuss the remuneration packages of the Directors with individual attendance of members as follows:

Members	**Attendance/ Number of meetings**
Hu Chao *(Chairman)*	2/2
Wong Yun Kuen	2/2
Wong Shun Loy	2/2

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management; to determine the specific remuneration packages including benefits in kind, pension rights and compensation payments (including any compensation payments for loss or termination of their office or appointment) of all executive directors and senior management as well as making recommendations to the Board of remuneration of independence non-executive directors.

During the year, the Remuneration Committee reviewed the remuneration packages of the Directors of the Company. No Director was involved in deciding his/her own remuneration.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established with terms of reference as set out in the CG Code. As at the date of this report, the Audit Committee comprises three independent non-executive directors, namely Mr. Wong Shun Loy, Dr. Wong Yun Kuen and Mr. Hu Chao. The Chairman of the Audit Committee is Mr. Wong Shun Loy. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

Corporate Governance Report

The Audit Committee held four meetings during the year ended 31 December 2013 with individual attendance of members as follows:

Members	Attendance/ Number of meetings
Wong Shun Loy *(Chairman)*	4/4
Wong Yun Kuen	3/4
Hu Chao	4/4

The main duties of the Audit Committee are to making recommendations to the Boards on the appointment, re-appointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to discuss with the external auditor the nature and scope of the audit. It is also responsible for reviewing: (i) the interim and annual financial statements before submission to the Board and (ii) the Company's financial control, internal control and risk management systems.

During the year ended 31 December 2013, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review of unaudited interim results and audited annual results of the Group.

AUDITORS' REMUNERATION

For the year ended 31 December 2013, remuneration paid to the auditors of the Company for providing audit and non-audit services are approximately HK$1,200,000 and approximately HK$453,000, respectively.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as follows:

(i) to develop, review and update the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors;

(v) to review the Company's compliance with the code of corporate governance and disclosure in the Corporate Governance Report; and

Corporate Governance Report

(vi) to perform such other corporate governance duties and functions set out in the code of corporate governance (as amended from time to time) for which the Board are responsible.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting by shareholders

In accordance with sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"), shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings, may request the directors of the Company to call a general meeting. The request must state the general nature of the business to be dealt with at the general meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting. The request may consist of several documents in like form and may be sent to the Company in hard copy form or in electronic form and must be authenticated by the person(s) making it.

If the directors of the Company do not within 21 days from the date of the deposit of the written request proceed duly to call a general meeting for a day not more than 28 days after the date on which the notice convening the general meeting, the shareholder(s) who requested the meeting, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting, provided that the general meeting must be called for a date not more than 3 months after the date on which the directors of the Company become subject to the requirement to call the general meeting.

The general meeting convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Enquiries to the Board

Shareholders may at any time send their written enquiries and concerns to the Board of Directors either by post, by facsimiles or by email, for the attention of Chairman of the Board or Company Secretary at the following address or facsimiles number or via email:

China Yunnan Tin Minerals Group Company Limited
Units 2502–5, 25th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong
Email: info@cytmg.com
Fax No.: (852) 3926 1999

The Company Secretary will forward the shareholders' enquiries and concerns to the Board of Directors and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions in writing.

Corporate Governance Report

Putting forward proposals at annual general meetings

In accordance with section 615 of the Companies Ordinance, the shareholders may request the Company to give, to shareholders entitled to receive notice of the annual general meeting, notice of a resolution that may properly be moved and is intended to be moved at that meeting. The request may be sent to the Company in hard copy form or in electronic form and must identify the resolution of which notice is to be given, be authenticated by the person or person(s) making it and be received by the Company not later than 6 weeks before the annual general meeting to which the requests relates; or if later, the time at which notice is given of that meeting.

The Company will give notice of a resolution of it has received the request form (a) shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at the annual general meeting to which the request relate; or (b) at least 50 shareholders who have a relevant right to vote on the resolution at the annual general meeting to which the request relate.

Proposing Directors for election at general meetings

Pursuant to Article 109 of the Company's Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as Director at any general meeting unless a notice signed by a member (other than the person to be processed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the registered office of the Company provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Corporate Governance Report

INVESTOR RELATIONS

Constitutional documents

There are no changes in the Company's constitutional documents during the year. The latest set of constitutional documents are available on the websites of the Company and the Stock Exchange.

Shareholders Communication Policy

The Company adopted a Shareholders' Communication Policy which aims to promoting effective communication with the shareholders, encouraging the shareholders to engage actively with the Company and enabling the shareholders to exercise their rights as shareholders effectively. The information would be communicated to shareholders through various official channels (including Company's corporate communication, website and the shareholders' meeting) so that the shareholders can access the Company's public information equally in a timely manner. The Shareholders' Communication Policy is available on the website of the Company.

DIRECTOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges their responsibilities for preparing the financial statements of the Company for each financial period in accordance with statutory requirements and applicable accounting standards so as to give a true and fair view of the state of affairs of the Group.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 25 to 26.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and he has confirmed that he has taken no less than 15 hours of relevant professional training in complied with the requirement of Rule 3.29 of the Listing Rules. The biography of the Company Secretary is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

INTERNAL CONTROL

The Board recognises its responsibilities for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests. An internal control system, including a defined management structure with limits of authority, is designed to help achieving business objectives, safeguard assets against unauthorised use, maintain proper accounting records for the provision of reliable financial information for internal use and for publication. The internal control system is set up to provide reasonable, but not absolute, assurance against material mis-statement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. During the year, the Board conducted a review of the effectiveness of the internal control system of the Group.

Independent Auditors' Report

PAN-CHINA (H.K.) CPA LIMITED Certified Public Accountants
天健(香港)會計師事務所有限公司

TO THE SHAREHOLDERS OF CHINA YUNNAN TIN MINERALS GROUP COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Yunnan Tin Minerals Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 99, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

Independent Auditors' Report

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

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

OPINION

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

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 19 to the consolidated financial statements of the Group for the year ended 31 December 2013 (the "2013 Annual Report"). As disclosed therein, the mining operation of the Group as well as all mining operations in the Lian Nan County were suspended by the relevant authorities of the PRC Government (the "Order") since early 2012 until further notice. Up to the reporting date of the 2013 Annual Report, there is still no announcement as to when the Order will be uplifted. Based on the information available to the Group, the Group expects that the Order will be uplifted in the near future and in any event, no later than the end of 2015.

The mining right of the Group was valued at HK$259,000,000 as at 31 December 2013, using discounted cash flow method based on the assumption that the Order will be uplifted before the end of 2015. Should there be any further delay in the uplift of the Order, the value of the mining right of the Group may possibly be affected and further provision on impairment loss of the mining right may therefore be necessary.

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants

Lee Ping Kai
Practising Certificate Number: P02976

11/F., Hong Kong Trade Centre,
161–167 Des Voeux Road Central,
Central,
Hong Kong.

Hong Kong, 27 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	7	**4,400**	13,500
Cost of sales		**(1,484)**	(2,755)
Gross profit		**2,916**	10,745
Net gain/(loss) on financial assets at fair value through profit or loss	8	**49,412**	(94,654)
Impairment loss reversed/(recognised) in respect of mining right	19	**17,000**	(174,019)
Impairment loss on goodwill	20	**–**	(38,679)
Impairment loss on property, plant and equipment		**–**	(931)
Gain on disposal of subsidiaries and a joint venture	15	**–**	17,531
Gain on disposal of available-for-sale financial assets	16	**3,555**	–
Other income	8	**5,099**	5,375
Administrative expenses		**(72,343)**	(69,284)
Finance costs	9	**(1,115)**	(124)
Share of profit of a joint venture	15	**–**	2,134
Profit/(loss) before taxation		**4,524**	(341,906)
Income tax (expenses)/credit	10	**(4,706)**	94,000
Loss for the year	8	**(182)**	(247,906)
Attributable to:			
Owners of the Company		**(178)**	(246,300)
Non-controlling interests		**(4)**	(1,606)
		(182)	(247,906)

	Notes	2013	2012
Loss per share			
– Basic and diluted *(HK cents per share)*	12	**(0.05)**	(64.63)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Loss for the year	8	**(182)**	(247,906)
Other comprehensive income/(expenses)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of overseas operations		**6,676**	833
Reclassification adjustment for disposal of subsidiaries and a joint venture	15	**–**	(12,107)
Fair value change in available-for-sale financial assets		**(5,043)**	(13,322)
Other comprehensive income/(expenses) for the year (net of tax)		**1,633**	(24,596)
Total comprehensive income/(expenses) for the year		**1,451**	(272,502)
Attributable to:			
Owners of the Company		**1,455**	(270,896)
Non-controlling interests		**(4)**	(1,606)
		1,451	(272,502)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	13	**20,228**	10,796
Interest in a joint venture	15	**–**	–
Available-for-sale financial assets	16	**234,333**	258,380
Other assets	17	**2,205**	2,205
Trading right	18	**–**	–
Mining right	19	**259,000**	242,000
Goodwill	20	**–**	–
		515,766	513,381
Current assets			
Inventories	21	**948**	893
Trade and other receivables	22	**64,000**	64,431
Earnest money	23	**300,000**	–
Financial assets at fair value through profit or loss	24	**405,370**	352,974
Tax recoverable		**219**	312
Bank balances held under segregated trust accounts	25	**44,477**	61,217
Bank balances and cash	25	**51,498**	360,528
		866,512	840,355
Current liabilities			
Trade and other payables	26	**88,195**	65,580
Tax payable		**260**	34
Provision	27	**8,000**	8,000
		96,455	73,614
Net current assets		**770,057**	766,741
Total assets less current liabilities		**1,285,823**	1,280,122

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	**2013** **HK$'000**	2012 *HK$'000*
Non-current liabilities			
Deferred tax liabilities	*28*	**64,750**	60,500
Net assets		**1,221,073**	1,219,622
Capital and reserves			
Share capital	*29*	**3,894**	3,894
Reserves		**1,213,799**	1,212,344
Equity attributable to owners of the Company		**1,217,693**	1,216,238
Non-controlling interests		**3,380**	3,384
Total equity		**1,221,073**	1,219,622

The consolidated financial statements on pages 27 to 99 were approved and authorised for issue by the Board of Directors on 27 March 2014 and are signed on its behalf by:

Zhang Guoqing
Director

Ng Shin Kwan, Christine
Director

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	14	–	1,000
Current assets			
Other receivables		62	63
Amounts due from subsidiaries	14	1,582,325	1,508,304
Bank balances and cash	25	2,034	14,858
		1,584,421	1,523,225
Current liabilities			
Accruals and other payables		1,783	1,644
Amounts due to subsidiaries	14	11,215	17,724
		12,998	19,368
Net current assets		1,571,423	1,503,857
Net assets		1,571,423	1,504,857
Capital and reserves			
Share capital	29	3,894	3,894
Reserves	30	1,567,529	1,500,963
Total equity		1,571,423	1,504,857

Zhang Guoqing
Director

Ng Shin Kwan, Christine
Director

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Equity attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	324,521	1,922,626	6,724	(17,078)	53,017	(825,203)	1,464,607	–	1,464,607
Loss for the year	–	–	–	–	–	(246,300)	(246,300)	(1,606)	(247,906)
Reclassification adjustment for disposal of subsidiaries and a jointly controlled entity	–	–	(12,107)	–	–	–	(12,107)	–	(12,107)
Exchange differences arising on translation of overseas operations	–	–	833	–	–	–	833	–	833
Fair value change in available-for-sale financial assets	–	–	–	(13,322)	–	–	(13,322)	–	(13,322)
Total comprehensive expenses for the year	–	–	(11,274)	(13,322)	–	(246,300)	(270,896)	(1,606)	(272,502)
Share consolidation and capital reduction *(note 29)*	(321,276)	321,276	–	–	–	–	–	–	–
Lapse of share options	–	–	–	–	(152)	152	–	–	–
Issue of shares pursuant to placement of shares	649	23,040	–	–	–	–	23,689	–	23,689
Share issue expenses on placement of shares	–	(1,162)	–	–	–	–	(1,162)	–	(1,162)
Non-controlling interests arising from deemed disposal of a subsidiary	–	–	–	–	–	–	–	4,990	4,990
	(320,627)	343,154	–	–	(152)	152	22,527	4,990	27,517
At 31 December 2012	3,894	2,265,780	(4,550)	(30,400)	52,865	(1,071,351)	1,216,238	3,384	1,219,622

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Equity attributable to owners of the Company								
	Share capital	Share premium	Translation reserve	Available-for-sale financial assets reserve	Share option reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	3,894	2,265,780	(4,550)	(30,400)	52,865	(1,071,351)	1,216,238	3,384	1,219,622
Loss for the year	–	–	–	–	–	(178)	(178)	(4)	(182)
Exchange differences arising on translation of overseas operations	–	–	6,676	–	–	–	6,676	–	6,676
Fair value change in available-for-sale financial assets	–	–	–	(5,043)	–	–	(5,043)	–	(5,043)
At 31 December 2013	**3,894**	**2,265,780**	**2,126**	**(35,443)**	**52,865**	**(1,071,529)**	**1,217,693**	**3,380**	**1,221,073**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Cash flows from operating activities		
Loss for the year	**(182)**	(247,906)
Adjustments for:		
Income tax expenses/(credit)	**4,706**	(94,000)
Finance costs	**1,115**	124
Share of profit of a joint venture	**–**	(2,134)
Bank interest income	**(9)**	(8)
Depreciation of property, plant and equipment	**3,603**	4,854
Impairment loss (reversed)/recognised in respect of mining right	**(17,000)**	174,019
Impairment loss on goodwill	**–**	38,679
Impairment loss on property, plant and equipment	**–**	931
Reversal of provision of litigation	**–**	(520)
Unrealised (gain)/loss on financial assets at fair value through profit or loss	**(62,736)**	84,684
Gain on disposal of property, plant and equipment	**(80)**	(709)
Gain on disposal of available-for-sale financial assets	**(3,555)**	–
Gain on disposal of subsidiaries and a joint venture	**–**	(17,531)
Operating cash flows before movements in working capital	**(74,138)**	(59,517)
(Increase)/decrease in inventories	**(55)**	617
Decrease/(increase) in trade and other receivables	**431**	(25,717)
Decrease in short-term loans receivable	**–**	110,000
Decrease/(increase) in bank balances held under segregated trust accounts	**16,740**	(50,403)
Increase in trade and other payables	**22,615**	51,023
Settlement for provision of litigation	**–**	(730)
Cash (used in)/generated from operations	**(34,407)**	25,273
Interest paid	**(1,115)**	(124)
Hong Kong and PRC tax refunded	**93**	372
Hong Kong and PRC tax paid	**(230)**	(215)
Net cash (used in)/generated from operating activities	**(35,659)**	25,306

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Cash flows from investing activities		
Interest received, other than from investments	**9**	8
Acquisition of property, plant and equipment	**(12,930)**	(4,876)
Proceeds from disposal of property, plant and equipment	**80**	820
Decrease/(increase) in financial assets at fair value through profit or loss	**23,780**	(35,598)
Proceeds from disposal of subsidiaries and a joint venture	**–**	70,000
Proceeds from disposal of available-for-sale financial assets	**5,115**	–
Proceeds from share capital contributed by non-controlling interests of a subsidiary	**–**	4,990
Purchase of available-for-sale financial assets	**–**	(1,415)
Earnest money (paid)/refunded	**(300,000)**	190,000
Net cash (used in)/generated from investing activities	**(283,946)**	223,929
Cash flows from financing activities		
Proceeds from issue of shares, net of issue costs	**–**	22,527
Net cash generated from financing activities	**–**	22,527
Net (decrease)/increase in cash and cash equivalents	**(319,605)**	271,762
Effect of foreign exchange rate changes	**10,575**	1,512
Cash and cash equivalents brought forward	**360,528**	87,254
Cash and cash equivalents carried forward, represented by bank balances and cash	**51,498**	360,528

The accompanying notes form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is disclosed in the corporate information section of this annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 14.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised)	Employee Benefits
HKAS 27 (Revised)	Separate Financial Statements
HKAS 28 (Revised)	Investments in Associates and Joint Ventures
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
HKFRSs (Amendment)	Annual Improvements 2009–2011 Cycle

The impact of the application of these standards is set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its subsidiaries in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors concluded that it has had control over its subsidiaries since the acquisition in prior periods.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 13 Fair Value Measurement *(Continued)*

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the HKFRS 13 in comparative information provided for periods before the initial application of the HKFRS 13. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements. As a result of the requirements of HKFRS 13, the Group's policies for measuring fair value have been amended.

HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The adoption of other new and revised HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.

2 Effective for annual periods beginning on or after 1 January 2015.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2015, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at fair value at the end of subsequent reporting periods. The application of HKFRS 9 might affect the classification and measurement of financial assets.

The directors of the Company is in the process of making an assessment of the potential impacts of these new and revised HKFRSs and they are so far concluded that the application of these new and revised HKFRSs will have no material impact on consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below:

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange of control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business or a joint venture (which is accounted for using proportionate consolidation) for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business or joint venture at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business or a joint venture is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

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

On subsequent disposal of the relevant cash-generating unit or a joint venture, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Mining right

Mining right with finite useful lives is carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on units of production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining right continuously till all proven reserves have been mined.

Gains or losses arising from derecognition of mining right is measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

Interest in a joint venture

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as joint ventures.

The results and assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in a joint venture is carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any identified impairment loss. When the Group's share of losses of a joint venture equals or exceeds its interest in that joint venture, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

When a group entity transacts with a joint venture of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the joint venture, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the term of the leases
Furniture and fixtures	20%–33%
Motor vehicles and yacht	20%
Plant and machinery	5%–33%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use and depreciates on the same basis as other property assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the year in which the item is derecognised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Trading right

Trading right represents the right of trading on the Stock Exchange. Trading right is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation for trading right is provided to write off the relevant cost on a straight-line basis over the estimated useful lives.

Any gain or loss arising on derecognition of the trading right is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the consolidated statement of profit or loss in the year in which the asset is derecognised.

Inventories

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent investments held for trading. At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, earnest money, short-term loans receivable, bank balances and cash and amounts due from subsidiaries of the Company) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy in respect of impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are initially classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables and finance lease obligation are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

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 after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Share options granted to other participants

For share options granted to other participants in exchange for services, they are measured at the fair values of the services received. The fair values of the services are recognised as expenses immediately, unless the services qualify for recognition as assets. Corresponding adjustments will be made to equity (share option reserve) as in the case of share options granted to employees.

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the reporting period subsequent to the date of acquisition, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation (if appropriate).

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Commission and brokerage income are recognised when the services are rendered.

Interest income from a financial asset 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefits costs

Payments to state-managed retirement benefits schemes/Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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 disclosed below:

(a) Income taxes

The Group is subject to income taxes in the People's Republic of China (the "PRC") and Hong Kong. Significant judgement is required in determining the provision for income taxes in these jurisdictions. 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 audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(b) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to exercise judgment in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may affect that asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(c) Valuation of mining right

The Group appointed an independent professional valuer to assess the fair values of the mining right. In determining the fair values of the mining right, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgements and satisfied that the method of valuation and the assumptions used are reflective of the current market conditions.

As at 31 December 2013, the carrying amount of mining right is approximately HK$259,000,000 (2012: HK$242,000,000).

(d) Amortisation of mining right

Mining right is amortised using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mines.

The proof of estimated quantities of reserves is inherently uncertain and complex. It requires significant judgements and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Reserve estimates are based on current production forecasts, prices and economic conditions. The directors exercise their judgement in estimating the total proven and probable reserves of the ore mines. If the quantities of reserves are different from current estimates, it will result in significant changes to amortisation and depreciation expenses of mining right and mining structures and affect the recoverable amount of exploration and evaluation assets, which a material impairment loss may arise.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2013

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(e) Estimate of fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

— the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

— the fair values of other financial assets and financial liabilities are determined using valuation techniques that include inputs based on observable current market transactions.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2013 **HK$'000**	2012 HK$'000
Financial assets		
Available-for-sale financial assets	**234,333**	258,380
Financial assets at fair value through profit or loss		
— held for trading	**405,370**	352,974
Loan and receivables (including cash and cash equivalents)		
— trade and other receivables	**64,000**	64,431
— earnest money	**300,000**	–
— bank balances held under segregated trust accounts	**44,477**	61,217
— bank balances and cash	**51,498**	360,528
Financial liabilities		
Amortised cost		
— trade and other payables	**88,195**	65,580

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade and other receivables, short-term loans receivable, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's principal financial assets include available-for-sale financial assets, financial assets at fair value through profit or loss and trade and other receivables. The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 31 December 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

The table below shows the balance of three major counterparties (including liquid funds) at the end of the reporting period using the Moody's credit rating symbols:

Counterparty	Rating	2013 HK$'000	2012 HK$'000
Bank of China (Hong Kong) Limited	*Aa3*	**24,590**	332,574
Standard Chartered Bank (Hong Kong) Limited	*Aa3*	**20,722**	7,159
Agricultural Bank of China	*A1*	**3,886**	3,707

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

(i) Foreign currency risk

Certain available-for-sale financial assets, trade and other receivables, bank balances and cash and other payable of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, management considers the foreign exchange exposure is relatively insignificant currently and will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2013	2012
	HK$'000	*HK$'000*
Assets		
Renminbi ("RMB")	**8,583**	11,083
US Dollars ("USD")	**58**	58
Australian Dollars ("AUD")	**19,333**	28,381
Liabilities		
RMB	**569**	594

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Foreign currency risk (Continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB and AUD.

If there is a 5% increase/decrease in Hong Kong dollars against RMB:

– net loss for the year ended 31 December 2013 would decrease/increase by approximately HK$429,000 (2012: HK$554,000). This is mainly attributable to the bank balances and the exposure outstanding on receivables and payables denominated in RMB.

If there is a 5% increase/decrease in Hong Kong dollars against AUD:

– other comprehensive income for the year ended 31 December 2013 would increase/decrease by approximately HK$967,000 (2012: HK$1,419,000). This is attributable to the available-for-sale financial assets which are denominated in AUD.

(ii) Price risk

The Group is exposed to equity security price risk through its available-for-sale financial assets and financial assets at fair value through profit or loss. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis for held for trading investments:

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Price risk (Continued)

If equity prices of the held for trading investments had been 5% higher/lower:

— net loss for the year ended 31 December 2013 would decrease/increase by approximately HK$20,269,000 (2012: HK$17,649,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or losses; and

The Group's sensitivity to equity prices has increased from prior year because the Group has increased its investment in held for trading investments.

If equity price of the listed securities recognised as available-for-sale financial assets had been 5% higher/lower:

— other comprehensive income for the year ended 31 December 2013 would increase/decrease by approximately HK$967,000 (2012: HK$1,419,000) as a result of the changes in fair value of listed securities recognised as available-for-sale financial assets.

The Group's sensitivity to equity price has decreased from prior year because (i) fair value of the listed securities as at 31 December 2013 decreased compared with that at 31 December 2012; (ii) the Australian dollars have been depreciated against Hong Kong dollars over the reporting period for the available-for-sale financial assets which are denominated in AUD.

(iii) Interest rate risk

As at 31 December 2013 and 2012, the Group did not have interest-bearing financial asset and long-term debt obligations with floating interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balance. Accordingly, the Group has no significant interest rate risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient bank balances and cash and the availability of fundings through an adequate amount of committed credit facilities. The Group also aims at maintaining flexibility in funding by arranging and keeping committed banking facilities and other external financing available.

The Group's primary cash requirements have been for capital investments and repayment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations and from fund raising through placement of new shares.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. For non-derivative financial liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**5+ years**	**Total undiscounted cash flows**	**Total carrying amount**
	%	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
As at 31 December 2013								
Non-derivative financial liabilities								
Trade and other payables	**–**	**88,195**	**–**	**–**	**–**	**–**	**88,195**	**88,195**

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2012								
Non-derivative financial liabilities								
Trade and other payables	–	65,580	–	–	–	–	65,580	65,580

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(c) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly

Level 3: inputs are unobservable inputs for the asset or liability

The following table presents the Group's financial instruments that are measured at fair value at the end of the reporting period by level of the fair value measurement hierarchy:

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*
Financial assets			
As at 31 December 2013			
Available-for-sale financial assets	**19,333**	**–**	**–**
Financial assets at fair value through profit or loss			
— Held for trading investments	**405,370**	**–**	**–**
Total	**424,703**	**–**	**–**
Financial assets			
As at 31 December 2012			
Available-for-sale financial assets	28,380	–	230,000
Financial assets at fair value through profit or loss			
— Held for trading investments	352,974	–	–
Total	381,354	–	230,000

There were no transfers between Level 1 and 2 during the year ended 31 December 2013 and 2012.

Available-for-sale financial assets amounted to HK$215,000,000 was transferred out of Level 3 during the year ended 31 December 2013 (2012: Nil) (note 16), and the remaining HK$15,000,000 available-for-sale financial assets classified as Level 3 as at 31 December 2012 represents the investment in Freeman Securities Limited which was disposed of during the year ended 31 December 2013 (note 16).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(d) Capital risk management

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As a part of this review, the directors of the Company consider the cost of capital and other sources of funds other than issuance of shares, including issue of convertible notes. Based on the recommendation of the directors of the Company, the Group will balance its overall capital structure through raising or repayment of borrowings.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings divided by total assets. During the year ended 31 December 2013 and 2012, the Group's strategy was to maintain a reasonable gearing ratio. The gearing ratio at 31 December 2013 and 2012 is as follows:

	As at 31 December 2013 ***HK$'000***	As at 31 December 2012 *HK$'000*
Total borrowings	**–**	–
Total assets	**1,382,278**	1,353,736
Gearing ratio	**N/A**	N/A

Since the Company has made no borrowings as at 31 December 2013 (2012: Nil), the calculation of gearing ratio was not applicable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four operating divisions — trading of goods, provision of finance, brokerage and securities investment and exploitation and sales of minerals. These divisions are the basis on which the Group reports its primary segment information.

For the purposes of assessing segment performance and resources between segments, the Group's senior executive management monitors the results and assets and liabilities attributable to each reportable segment on the following basis:

Segment turnover represents revenue generated from external customers.

Segment results represent the profit earned or loss incurred by each segment without allocation of corporate income and expenses, central administration costs, directors' salaries, finance costs, share of profit of a joint venture and income tax credit or expense.

Segment assets include all tangible and intangible assets and current assets other than interest in a joint venture and available-for-sale investments.

Segment liabilities include all trade and other payables other than current and deferred tax liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment Turnover and Results

For the year ended 31 December 2013

	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Brokerage and securities investment *HK$'000*	Exploitation and sales of minerals *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
TURNOVER						
External sales	–	329	4,071	–	–	4,400
Inter-segment sales*	–	–	32	–	(32)	–
	–	329	4,103	–	(32)	4,400
RESULTS						
Segment results	–	(717)	51,225	9,399	–	59,907
Unallocated corporate income						3,649
Unallocated corporate expenses						(57,917)
Finance costs						(1,115)
Loss before taxation						4,524
Income tax expenses						(4,706)
Loss for the year						(182)

* Inter-segment sales were charged at cost plus margin basis as agreed between both parties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment Assets and Liabilities

As at 31 December 2013

	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Brokerage and securities investment *HK$'000*	Exploitation and sales of minerals *HK$'000*	Total *HK$'000*
ASSETS					
Segment assets	–	14	531,299	269,907	801,220
Available-for-sale financial assets					234,333
Unallocated corporate assets					346,725
Consolidated total assets					1,382,278
LIABILITIES					
Segment liabilities	–	30	91,998	1,294	93,322
Unallocated corporate liabilities					67,883
Consolidated total liabilities					161,205

Other Information

For the year ended 31 December 2013

	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Brokerage and securities investment *HK$'000*	Exploitation and sales of minerals *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Capital additions	–	–	4	89	12,837	12,930
Depreciation of property, plant and equipment	–	–	399	864	2,340	3,603
Net gain on financial assets at fair value through profit or loss	–	–	(49,412)	–	–	(49,412)
Gain on disposal of property, plant and equipment	–	–	(80)	–	–	(80)
Reversal of impairment loss on mining right	–	–	–	(17,000)	–	(17,000)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment Turnover and Results

For the year ended 31 December 2012

	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Brokerage and securities investment *HK$'000*	Exploitation and sales of minerals *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
TURNOVER						
External sales	–	8,214	3,398	1,888	–	13,500
Inter-segment sales*	–	–	52	–	(52)	–
	–	8,214	3,450	1,888	(52)	13,500
RESULTS						
Segment results	(33)	7,336	(94,822)	(222,562)	–	(310,081)
Unallocated corporate income						18,927
Unallocated corporate expenses						(52,762)
Finance costs						(124)
Share of profit of a joint venture						2,134
Loss before taxation						(341,906)
Income tax credit						94,000
Loss for the year						(247,906)

* Inter-segment sales were charged at cost plus margin basis as agreed between both parties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment Assets and Liabilities

As at 31 December 2012

	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Brokerage and securities investment *HK$'000*	Exploitation and sales of minerals *HK$'000*	Total *HK$'000*
ASSETS					
Segment assets	–	88,596	474,864	253,915	817,375
Available-for-sale financial assets					258,380
Unallocated corporate assets					277,981
Consolidated total assets					1,353,736
LIABILITIES					
Segment liabilities	–	92	69,965	584	70,641
Unallocated corporate liabilities					63,473
Consolidated total liabilities					134,114

Other Information

For the year ended 31 December 2012

	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Brokerage and securities investment *HK$'000*	Exploitation and sales of minerals *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Capital additions	–	–	97	1,487	3,292	4,876
Depreciation of property, plant and equipment	–	–	463	1,174	3,217	4,854
Net loss on financial assets at fair value through profit or loss	–	–	94,654	–	–	94,654
Gain on disposal of property, plant and equipment	–	–	–	–	(709)	(709)
Impairment loss on mining right	–	–	–	174,019	–	174,019
Impairment loss on goodwill	–	–	–	38,679	–	38,679
Impairment loss on property, plant and equipment	–	–	–	931	–	931

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The Group's four operating divisions operate in two principal geographical areas — the PRC (excluding Hong Kong) and Hong Kong. The following table provides an analysis of the Group's turnover by geographical markets, irrespective of the origin of the goods:

Turnover from external customers

	2013	2012
	HK$'000	*HK$'000*
PRC	**–**	1,888
Hong Kong	**4,400**	11,612
	4,400	13,500

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

Carrying amount of segment assets

	2013	2012
	HK$'000	*HK$'000*
PRC	**269,907**	253,915
Hong Kong	**531,313**	563,460
	801,220	817,375

Capital additions

	2013	2012
	HK$'000	*HK$'000*
PRC	**89**	1,487
Hong Kong	**12,841**	3,389
	12,930	4,876

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Information about major customers

The following is an analysis of revenue from customers contributing over 10% of total sales of the Group for the current and prior year:

	2013	2012
	HK$'000	*HK$'000*
Customer A	**N/A**	3,932
Customer B	**N/A**	2,803
Customer C	**N/A**	1,888
Customer D	**N/A**	1,479
Customer E	**831**	N/A

The revenue from Customer A, B and D were attributable to the provision of finance segment while revenue derived from Customer C was attributable to the exploitation and sales of minerals segment. The corresponding revenue from these customers for the year ended 31 December 2013 did not contribute over 10% of the total revenue of the Group.

The revenue from Customer E was attributable to the brokerage and securities investment segment and the corresponding revenue for the year ended 31 December 2012 did not contribute over 10% of the total revenue of the Group.

7. TURNOVER

An analysis of the Group's turnover for the year is as follows:

	2013	2012
	HK$'000	*HK$'000*
Sales of goods	**–**	1,888
Interest income from provision of finance	**329**	8,214
Commission and brokerage income	**4,071**	3,398
	4,400	13,500

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

8. LOSS FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Staff costs including directors' remuneration	**18,079**	15,922
Retirement benefits schemes contributions	**437**	330
Total staff costs	**18,516**	16,252
Auditors' remuneration		
Audit services	**1,200**	1,100
Non-audit services	**453**	300
Cost of inventories recognised as an expense	**–**	2,148
Depreciation of property, plant and equipment	**3,603**	4,854
Operating lease rentals in respect of land and buildings	**8,849**	10,280
and after crediting:		
Other income		
Interest income on:		
Bank deposits	**9**	8
Other loan and receivables	**3,223**	3,013
Total interest income	**3,232**	3,021
Gain on disposal of property, plant and equipment	**80**	709
Foreign exchange gain, net	**22**	7
Sundry income	**1,765**	1,638
	5,099	5,375

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

8. LOSS FOR THE YEAR *(Continued)*

	2013	2012
	HK$'000	*HK$'000*
Other income analysed by category of asset is as follows:		
Loans and receivables (including bank deposits)	**3,232**	3,021
Non-financial assets	**1,867**	2,354
	5,099	5,375
Net loss on financial assets at fair value through profit or loss:		
Proceeds on sales of investment	**63,974**	245,747
Less: cost of sales	**(77,298)**	(255,717)
Net realised loss on financial assets at fair value through profit or loss	**(13,324)**	(9,970)
Unrealised gain/(loss) on financial assets at fair value through profit or loss	**62,736**	(84,684)
Net gain/(loss) on financial assets at fair value through profit or loss	**49,412**	(94,654)

9. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on:		
— Other loans wholly repayable within five years	**1,115**	124

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

10. INCOME TAX EXPENSE/(CREDIT)

Income tax expense/(credit) comprises:

	2013	2012
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**450**	–
PRC Enterprise Income Tax	**6**	5
	456	5
Deferred Tax	**4,250**	(94,005)
	4,706	(94,000)

Hong Kong Profits Tax for the year ended 31 December 2013 was calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year.

For the Group's subsidiaries established in the PRC, PRC Enterprise Income Tax is calculated at the rate of 25% (2012: 25%).

Income tax expense/(credit) for the year can be reconciled to the profit/(loss) before taxation per consolidated statement of profit or loss as follows:

	2013	2012
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**4,524**	(341,906)
Tax at the Hong Kong Tax rate of 16.5% (2012: 16.5%)	**746**	(56,414)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(463)**	(3)
Tax effect of share of profit of a joint venture	**–**	(352)
Tax effect of expenses not deductible for tax purpose	**18,373**	157,187
Tax effect of income not taxable for tax purpose	**(20,749)**	(121,604)
Tax effect of temporary differences not recognised	**4,246**	(93,845)
Tax effect of previously unrecognised tax loss	**(243)**	–
Tax effect of tax losses not recognised	**2,346**	21,134
Under/(over) provision in prior year	**450**	(103)
	4,706	(94,000)

Details of deferred taxation are set out in note 28.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the years, emoluments paid or payable to each of the following directors were as follows:

		Fees		Salaries and other benefits		Retirement benefits schemes contributions		Discretionary bonus		Total	
		2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors											
Zhang Guoqing		**650**	541	**–**	–	**–**	–	**–**	–	**650**	541
Chen Shuda	*i*	**336**	336	**–**	–	**–**	–	**–**	–	**336**	336
Ng Shin Kwan, Christine		**–**	–	**845**	840	**15**	14	–	–	**860**	854
Lee Jalen		**–**	–	**780**	780	**–**	–	–	–	**780**	780
Chan Ah Fei		**390**	360	**–**	–	**–**	–	**–**	–	**390**	360
Lee Yuk Fat		**360**	360	**216**	216	**–**	–	–	–	**576**	576
Liang Shan	*ii*	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Independent non-executive directors											
Wong Yun Kuen		**120**	114	**–**	–	**–**	–	**–**	–	**120**	114
Wong Shun Loy	*iii*	**144**	120	**–**	–	**–**	–	**–**	–	**144**	120
Hu Chao	*iii*	**120**	100	**–**	–	**–**	–	**–**	–	**120**	100
Sun Ka Ziang, Henry	*iv*	**–**	14	**–**	–	**–**	–	**–**	–	**–**	14
Kwok Ming Fai	*iv*	**–**	14	**–**	–	**–**	–	**–**	–	**–**	14
		2,120	1,959	**1,841**	1,836	**15**	14	**–**	–	**3,976**	3,809

Notes:

(i) Mr. Chen Shuda resigned on 1 January 2014.

(ii) Mr. Liang Shan was appointed on 1 January 2014.

(iii) Mr. Hu Chao and Mr. Wong Shun Loy were appointed on 1 March 2012.

(iv) Mr. Sun Ka Ziang, Henry and Mr. Kwok Ming Fai resigned on 1 March 2012.

(v) No directors waived any emoluments and no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2012: three) were directors of the Company whose emoluments are included in the disclosures set out in note (a) above. The emoluments of the remaining highest paid individuals were as follows:

	2013 **HK$'000**	2012 HK$'000
Salaries and other benefits	**3,250**	2,330
Retirement benefits schemes contributions	**45**	28
	3,295	2,358

Their emoluments were within the following bands:

	2013 **No. of employees**	2012 No. of employees
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$3,000,000	**–**	–
	3	2

(c) During the year, no emoluments (2012: Nil) were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None (2012: None) of the directors have waived any emoluments during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

12. LOSS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Loss for the year		
Loss attributable to owners of the Company	**(178)**	(246,300)

	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic loss per share	**389,421**	381,087

The effects of the share consolidation on 18 January 2012 (note 29), have been included in the calculation of the weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2012.

Basic and diluted loss per share for the year ended 31 December 2013 and 2012 have been presented as equal because the exercise prices of the Company's share options were higher than the average market price for the year and is therefore considered as anti-dilutive.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles and yacht HK$'000	Plant and machinery HK$'000	Total HK$'000
COST					
At 1 January 2012	6,327	4,652	16,183	448	27,610
Additions	925	97	3,854	–	4,876
Disposal	–	–	(1,594)	–	(1,594)
Exchange adjustments	20	8	24	4	56
At 31 December 2012 and 1 January 2013	7,272	4,757	18,467	452	30,948
Additions	87	206	12,637	–	12,930
Disposal	–	(608)	(351)	–	(959)
Exchange adjustments	60	25	71	13	169
At 31 December 2013	7,419	4,380	30,824	465	43,088
DEPRECIATION AND IMPAIRMENT					
At 1 January 2012	4,597	2,867	8,246	122	15,832
Provided for the year	884	940	2,957	73	4,854
Impairment provided for the year	288	111	472	60	931
Eliminated on disposal	–	–	(1,483)	–	(1,483)
Exchange adjustments	8	4	4	2	18
At 31 December 2012 and 1 January 2013	5,777	3,922	10,196	257	20,152
Provided for the year	549	547	2,432	75	3,603
Eliminated on disposal	–	(608)	(351)	–	(959)
Exchange adjustments	26	15	16	7	64
At 31 December 2013	6,352	3,876	12,293	339	22,860
CARRYING VALUES					
At 31 December 2013	1,067	504	18,531	126	20,228
At 31 December 2012	1,495	835	8,271	195	10,796

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

14. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	THE COMPANY	
	2013	2012
	HK$'000	*HK$'000*
Cost of unlisted investments	**–**	1,000
Less: Impairment losses recognised	**–**	–
	–	1,000
Amounts due from subsidiaries	**2,470,222**	2,473,570
Less: Impairment losses recognised	**(887,897)**	(965,266)
	1,582,325	1,508,304
Amounts due to subsidiaries	**(11,215)**	(17,724)

The movement in impairment loss on amounts due from subsidiaries is set out as follows:

	2013	2012
	HK$'000	*HK$'000*
Balance at beginning of the year	**965,266**	376,874
Reversed upon disposal during the year	**(77,369)**	–
Impairment losses recognised for the year	**–**	588,392
Balance at end of the year	**887,897**	965,266

The amounts due from/(to) subsidiaries are unsecured and have no fixed terms of repayment. The balances as at 31 December 2013 and 2012 were non-interest bearing.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

14. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Charter Pearl Limited	British Virgin Islands ("BVI")	US$1	–	100%	Investment holding
Excel Faith Holdings Limited	BVI	US$1	–	100%	Investment holding
Global Wealth Finance Limited	Hong Kong	HK$1	–	100%	Provision of finance
GT Capital Limited	Hong Kong	HK$55,000,000	–	100%	Securities brokerage
GT Financial Holdings Limited	BVI	US$1	–	100%	Investment holding
Moral Dragon Trading Limited	Hong Kong	HK$1	–	100%	Investment holding
Poly Dynamic Investments Limited#	BVI	HK$20,000,000	–	50.1%	Investment holding
Poly Minerals Holdings Limited	BVI	US$1	–	100%	Investment holding
Treasure Well Associates Limited	BVI	US$1	100%	–	Investment holding
Union Bless Limited	BVI	US$1	–	100%	Investment holding
Upperclass Developments Limited	Hong Kong	HK$1	–	100%	Securities investment
Yunnan Tin (Australia) Holdings Pty Ltd	Australia	A$1,717,500	–	100%	Investment holding
Yunnan Tin (YTC) Holdings Pty Ltd	Australia	A$1	–	100%	Investment holding
錦繡德龍電子（深圳）有限公司* (literally translated as Jin Xiu De Long Electronics (Shenzhen) Company Limited)	The PRC	HK$8,010,000	–	100%	Investment holding
陽山景鴻礦業有限公司** (literally translated as Yang Shan Jing Hong Kuang Ye Company Limited)	The PRC	RMB2,100,000	–	100%	Manufacturing and sales of iron ore products

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

14. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by the Company Directly	Indirectly	Principal activities
連南縣山聯鄉白帶頭水晶山磁鐵礦有限公司** (literally translated as Lian Nan Xian Shan Lian Xiang Bai Dai Tou Shui Jing Shan Magnetite Iron Ore Mine Company Limited)	The PRC	RMB100,000	–	100%	Exploitation and sales of minerals

The non-controlling interests in respect of the subsidiary as at 31 December 2013 are HK$3,380,000 (2012: HK$3,384,000) and are not material to the Group.

* Registered as wholly-foreign-owned enterprise under the PRC law

** Registered as limited liability companies under the PRC law

The above table only lists those subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or financial positions of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

All the above subsidiaries operate in their respective place of incorporation/registration.

None of the subsidiaries had any debt securities outstanding during the year or at the end of the reporting period.

15. INTEREST IN A JOINT VENTURE

	THE GROUP 2013 HK$'000	2012 HK$'000
Cost of unlisted investment in a joint venture	–	49,862
Share of post-acquisition profits and reserves, net of dividends received	–	24,709
	–	74,571
Disposal of interest in a joint venture	–	(74,571)
	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

15. INTEREST IN A JOINT VENTURE *(Continued)*

	1/1/2012 to 28/2/2012
Income	158,256
Expenses	(148,767)
Income tax expense	(2,375)
Profit for the period	7,114
The Group's share of profit of the joint venture for the period	2,134

On 12 August 2011, the Company and Treasure Smart Limited ("Treasure Smart") entered into a sale and purchase agreement for the sale and purchase of the entire issued share capital in (the "JCE Sale Share"), and shareholders' loan extended to (the "JCE Sale Debt") Broadmeadow Investments Limited ("Broadmeadow"), the wholly-owned subsidiary of the Company, which indirectly holds 30% equity interest in Shanghai Hong Qiao Friendship Shopping Center Company Limited ("Hong Qiao"). Pursuant to the agreement, the Company agreed to sell the JCE Sale Share and the JCE Sale Debt and Treasure Smart agreed to purchase the JCE Sale Share and the JCE Sale Debt for an aggregate consideration of HK$80,000,000.

The transaction was completed on 28 February 2012 and Hong Qiao ceased to be a joint venture of the Group since then. Details of the transaction are set out in the circular of the Company dated 29 September 2011.

The aggregate amount of net asset and liabilities of Broadmeadow at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Interest in a joint venture	74,571
Bank balances and cash	5
	74,576
Translation reserve released upon disposal	(12,107)
Gain on disposal of Broadmeadow	17,531
Total consideration	80,000
Net cash inflow on disposal	
Cash consideration received	80,000
Less: Cash and cash equivalents balances disposed of	(5)
	79,995

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Equity securities:		
— listed securities	**19,333**	28,380
— unlisted securities	**215,000**	230,000
	234,333	258,380

Available-for-sale financial assets represent the Group's investment in listed and unlisted securities. The listed securities of the Group at the end of the reporting period represent the Group's listed investment in YTC Resources Limited ("YTC") of which shares are listed on the Australian Securities Exchange. They are measured at fair value based on the quoted market bid prices available on the relevant stock exchange.

The unlisted securities of the Group at the end of the reporting period represent the Group's investment in unlisted equity securities issued by a private entity namely HEC Capital Limited ("HEC"), which is held for an identified long term strategic purpose.

On 16 April 2012, the Group was informed by Cordoba Homes Limited ("Cordoba"), a company which the Group was interested in 215,000,000 shares (representing about 5.65% of the total issued share capital of Cordoba then), that Cordoba was to undergo a capital reorganisation ("Reorganisation") whereby Cordoba was to consolidate its shares on a 10 for 1 basis and a holding company, HEC, would be formed for the purpose of holding a 100% interest in Cordoba. Upon the Reorganisation, the percentage of shareholding interest held by the Group in HEC, which holds 100% of Cordoba, remained to be the same as before.

On 17 April 2012, the Group was informed by Hennabun Capital Group Limited ("Hennabun"), a company which the Group was interested in 15,000,000 shares (representing about 3.13% of the total issued share capital of Hennabun then), that Hennabun was to undergo a reorganisation exercise to streamline its group structure (the "Restructuring"). HEC, through Cordoba, held approximately 48% of Hennabun, prior to the Restructuring. Pursuant to the Restructuring, Hennabun was to allot and issue 249,154,460 new shares to Allied Well Development Limited, a wholly-owned subsidiary of HEC, in exchange for 249,154,460 new shares of HEC. All shareholders of Hennabun, other than HEC or its subsidiaries, would have their shares in Hennabun cancelled and received in turn the equivalent number of shares in HEC. Upon the Restructuring, HEC would hold 100% of the entire issued share capital of Hennabun. Since HEC and Hennabun shares were roughly in value, the interests of the Hennabun shareholders were not altered or adversely affected as a result of the Restructuring.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

As a result of the Reorganisation and Restructuring, the Group is now interested in 36,500,000 shares in HEC (representing about 4.09% of the total issued share capital of HEC) as at 31 December 2013 and has ceased to have any direct shareholding in Cordoba and Hennabun respectively.

On 21 March 2013, a wholly-owned subsidiary of the Company as vendor entered into a sale and purchase agreement with Freeman Financial Corporation Limited ("Freeman Financial", a company listed on the main board of Stock Exchange (stock code: 279)) and Dynastic Union Limited (the "Purchaser"), pursuant to which the vendor has conditionally agreed to dispose approximately 8.77% of the issued share capital of Freeman Securities Limited to Purchaser at a consideration of HK$16,140,000. Such consideration was satisfied by (i) cash payment of HK$5,115,000 and (ii) issue and allotment of 105,000,000 new shares (before the capital reorganisation of Freeman Financial with effect from 30 May 2013) of Freeman Financial with par value of HK$0.05 each at the issue price of HK$0.105 per share to the vendor. The transaction is completed on 28 March 2013. Details of the transaction are set out in the announcement of the Company dated 21 March 2013. Upon the completion of the disposal, there was a gain on disposal of Freeman Securities Limited of approximately HK$3,555,000.

The fair value of the equity interest in HEC at 31 December 2012 has been arrived with reference to HEC's audited financial statements for the nine-month period ended 31 December 2012. In the absence of adequate information, the directors of the Company consider that the fair value of the equity interest of HEC as at 31 December 2013 cannot be measured reliably because the range of reasonable fair value estimates is so significant and the probabilities of the various estimates cannot be reasonably assessed. As a result, it is measured at cost less impairment at the end of the reporting period. As the carrying amount of the equity interest in HEC as at 31 December 2012 was equivalent to its cost, no retrospective prior year adjustment is necessary to reflect such change in accounting policy.

As a result of the impairment assessment, the directors of the Company consider that no objective evidence of impairment was identified at 31 December 2013, and no impairment was recognised for the year ended 31 December 2013 accordingly.

17. OTHER ASSETS

The Group

Other assets are statutory deposits paid to The Stock Exchange and Securities and Futures Commission in relation to the Group's licensed activities in the Hong Kong securities market.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

18. TRADING RIGHT

	THE GROUP *HK$'000*
COST	
Balance at 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	778
AMORTISATION AND IMPAIRMENT	
At 1 January 2012	778
Amortisation for the year	–
At 31 December 2012, 1 January 2013 and 31 December 2013	778
CARRYING VALUES	
At 31 December 2013	–
At 31 December 2012	–

Trading right is amortised on a straight-line basis over the useful life of four years.

19. MINING RIGHT

	THE GROUP	
	2013 ***HK$'000***	2012 *HK$'000*
COST		
At beginning and at end of the year	**630,000**	630,000
AMORTISATION AND IMPAIRMENT		
At beginning of the year	**388,000**	213,981
Impairment loss (reversed)/recognised for the year	**(17,000)**	174,019
At end of the year	**371,000**	388,000
CARRYING VALUES		
At end of the year	**259,000**	242,000

The mining right as at 31 December 2013 represents the mining right licence of a magnetite iron ore mine situated at the Guangdong Province, the PRC, expiring on 24 December 2015.

19. MINING RIGHT *(Continued)*

On 31 October 2011, there was a serious geological disaster caused by the Lian Nan County Damaishan Mine (連南縣大麥山礦業場). On 16 February 2012, the Department of Land and Resources of Lian Nan Yao Autonomous County (連南瑤族自治縣國土資源局) issued a notice announcing that a complete review of all mining operations was to be conducted by the relevant departments of the said county and ordering the suspension of all mining operations in the Lian Nan County until further notice and/or approval (the "Order"). The Group has been continuing to pursue the uplift of the Order with the relevant governmental authorities of the PRC (the "Authorities"), but up to the date of this report, there is still no concrete and clear indication given by the Authorities as to when the Order will be uplifted.

Amortisation for mining right with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ores mine.

The fair value of the mining right licence at 31 December 2013 has been arrived at on the basis of a valuation carried out by BMI Appraisals Limited, an independent qualified professional valuer and under the assumptions that the Order will be uplifted by the end of 2015 and the Group could renew the mining right licence indefinitely till all proven reserves have been mined. In the view of the increase in the market price of iron ore products at 31 December 2013, there was an increase in the value of the Mine as at 31 December 2013, which resulted in the reversal of impairment loss on mining right of approximately HK$17,000,000 for the year ended 31 December 2013 (2012: impairment loss of HK$174,019,000).

The movement in impairment loss on mining right is set out as follows:

	2013	2012
	HK$'000	*HK$'000*
Balance at beginning of the year	**376,019**	202,000
Impairment loss (reversed)/recognised during the year	**(17,000)**	174,019
Balance at end of the year	**359,019**	376,019

20. GOODWILL

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
At beginning of the year	**–**	38,679
Less: Impairment loss recognised	**–**	(38,679)
At end of the year	**–**	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

20. GOODWILL *(Continued)*

Goodwill, which arose on the acquisition of Union Bless Limited and its subsidiaries, represents the excess of the cost of the business combination over the Group's interest in the net fair value of their identifiable assets and liabilities as of the date of the acquisition.

As the fair value of goodwill has been fully impaired during the year ended 31 December 2012, no impairment was recognised in the consolidated statement of profit or loss for the year ended 31 December 2013 (2012: HK$38,679,000).

Impairment testing of goodwill for the year ended 31 December 2012

Goodwill arising on the above acquisition was recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently assessed for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation, using cash flow projections based on financial budgets covering a period of 10.5 years to reflect the Group's business strategy. The discount rate applied to the cash flow projections is 18.35%. Cash flows beyond the period of 10.5 years are extrapolated using a growth rate of 2%.

The followings are the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the budgeted gross margins is based on a feasibility study prepared by an independent technical advisor in February 2012.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The movement in impairment loss on goodwill is set out as follows:

	2013	2012
	HK$'000	*HK$'000*
Balance at beginning of the year	**128,679**	90,000
Impairment loss recognised during the year	**–**	38,679
Balance at end of the year	**128,679**	128,679

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

21. INVENTORIES

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Raw materials	**815**	763
Work-in-progress	**–**	–
Finished goods	**133**	130
	948	893

22. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**28,302**	42,468
Less: Impairment loss recognised	**(1,490)**	(1,490)
	26,812	40,978
Other receivables and prepayments	**37,544**	23,809
Less: Impairment loss recognised, in respect of other receivables	**(356)**	(356)
	37,188	23,453
Trade and other receivables	**64,000**	64,431

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Trade receivables arising from securities brokerage business:		
Margin account clients	**23,218**	37,125
Cash account clients	**4,530**	4,411
Others	**297**	297
	28,045	41,833
Trade receivables arising from mining business:	**257**	635
	28,302	42,468

For trade receivables arising from securities brokerage business, the settlement term is two days after the trade date. Interests are charged on overdue cash account clients and margin account clients at Hong Kong prime rate plus 7% (2012: prime rate plus 7%) per annum and at prime rate plus 4% (2012: prime rate plus 4%) per annum, respectively.

For trade receivables arising from the mining business, the Group normally allows a credit period of 60 days.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

22. TRADE AND OTHER RECEIVABLES *(Continued)*

An aging analysis of the trade receivables, net of impairment loss, at the end of the reporting periods are as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**10,535**	1,565
61 to 90 days	**4,676**	1,479
Over 90 days	**13,091**	39,424
	28,302	42,468

Aging of trade receivables which are past due but not impaired:

	2013	2012
	HK$'000	*HK$'000*
Overdue by:		
1 to 60 days	**10,420**	1,234
61 to 90 days	**4,676**	1,479
Over 90 days	**13,091**	39,424
	28,187	42,137

The overdue trade receivables are mainly arising from margin clients. Margin loans due from margin clients are current and repayable on demand. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading.

23. EARNEST MONEY

During the year ended 31 December 2013, the Group entered into a sale and purchase agreement in relation to the proposed acquisition of a group of companies which is principally engaged in, among others, iron mining business in the PRC (the "Proposed Acquisition"). Earnest money of HK$300,000,000 was paid by the Group to the vendor in relation to the Proposed Acquisition, and it is subject to full refund without interest upon the termination of the Proposed Acquisition.

Details of the transactions are set out in the Company's announcements dated 14 February 2013, 25 February 2013, 26 June 2013, 6 December 2013, 12 December 2013 and 28 February 2014.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

Financial assets at fair value through profit or loss at the end of the reporting period represent equity securities listed on the Stock Exchange.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

25. BANK BALANCES HELD UNDER SEGREGATED TRUST ACCOUNTS/BANK BALANCES AND CASH

The Group and the Company

Bank balances as at 31 December 2013 and 2012 carry interest at floating rates based on daily bank deposit rate.

As a subsidiary of the Company is principally engaged in the business of securities dealing and brokerage, it receives and holds money deposits by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated trust bank accounts. The Group has recognised the corresponding account payables to respective clients and other institutions. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

26. TRADE AND OTHER PAYABLES

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Trade payables	**76,745**	61,914
Other payables and accruals	**4,405**	3,666
Securities accounts	**7,045**	–
Trade and other payables	**88,195**	65,580

Details of trade payables are as follows:

	2013	2012
	HK$'000	*HK$'000*
Trade payables arising from securities brokerage business:		
Cash account clients	**8,653**	5,032
Clearing house	**–**	3,430
Margin account clients	**67,623**	53,043
	76,276	61,505
Trade payables arising from mining business:	**469**	409
	76,745	61,914

An aging analysis of the trade payables at the end of the reporting period are as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**69,603**	57,868
61 to 90 days	**553**	64
over 90 days	**6,589**	3,982
	76,745	61,914

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

26. TRADE AND OTHER PAYABLES *(Continued)*

The settlement term of trade payables arising from securities brokerage business is two days after the trade date while for amounts due to cash and margin account clients are repayable on demand.

Included in trade payables arising from securities brokerage business of approximately HK$44,477,000 (2012: HK$61,217,000) was payable to clients and other institutions in respect of the trust bank balances received and held for clients and other institutions in the course of the conduct of the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed. The deposits placed carry variable commercial interest rates.

27. PROVISION

The Group

During the year ended 31 December 2008, a subsidiary of the Company principally engaged in securities brokerage might be found liable to certain third parties for certain irregular transactions allegedly conducted by its former employee involving an aggregate amount of approximately HK$9,250,000. The matters had been first reported to the relevant enforcement agencies by such subsidiary in March 2009 and the former employee was convicted by the High Court of Hong Kong in 2009.

During the year ended 31 December 2011, a writ of summons from the Intermediate Court of Jiangsu Province, the PRC, was issued by an individual against the subsidiary, claiming for RMB1,103,000 (equivalent to HK$1,359,000) plus interest. The claim was fully settled in March 2012 by a payment of RMB600,000 (equivalent to HK$730,000) and deducted from the provision, of which HK$1,250,000 was provided for this individual during the year ended 31 December 2008. The remaining provision in respect of this individual amounting to HK$520,000 was written off as sundry income for the year ended 31 December 2012.

Based on a preliminary legal advice, such subsidiary may also be subject to a maximum penalty of HK$10,000,000 to the enforcement agency for the allegedly irregular transactions conducted by the former employee. No penalty against the subsidiary has been received up to the end of the reporting period. As the investigation of the matters by the enforcement agency is in progress, the directors cannot reasonably predict the outcome of the matters, the possible maximum penalty of HK$10,000,000 is therefore regarded as a contingent liability of the Group as at 31 December 2012 and 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28. DEFERRED TAX LIABILITIES

The Group

The followings are the deferred tax liabilities for the taxable temporary differences associated with the mining right recognised by the Group and movements thereon during the current and prior year:

	2013	2012
	HK$'000	*HK$'000*
At beginning of the year	**60,500**	154,505
Charged/(credited) to consolidated statement of profit or loss during the year	**4,250**	(94,005)
At end of the year	**64,750**	60,500

At 31 December 2013, the Group had unused tax losses of approximately HK$567,751,000 (2012: HK$569,928,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

29. SHARE CAPITAL

	Notes	Number of shares '000	Share capital HK$'000
Authorised:			
At 1 January 2012, ordinary shares of HK$0.05 each		9,000,000	450,000
Share Consolidation	a(i)	(8,550,000)	–
Ordinary shares of HK$1.00 each		450,000	450,000
Capital Reduction	a(ii)	–	(445,500)
Ordinary shares of HK$0.01 each		450,000	4,500
Increase in authorised share capital	a(iii)	44,550,000	445,500
At 31 December 2012, 1 January 2013 and 31 December 2013, ordinary shares of HK$0.01 each		45,000,000	450,000
Issued and fully paid:			
At 1 January 2012, ordinary shares of HK$0.05 each		6,490,426	324,521
Share Consolidation	a(i)	(6,165,905)	–
Ordinary shares of HK$1.00 each		324,521	324,521
Capital Reduction	a(ii), a(iv)	–	(321,276)
Ordinary shares of HK$0.01 each		324,521	3,245
Issue of shares	b	64,900	649
At 31 December 2012, 1 January 2013 and 31 December 2013, ordinary shares of HK$0.01 each		389,421	3,894

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

29. SHARE CAPITAL *(Continued)*

Notes:

Details of the changes in the Company's share capital for the year ended 31 December 2012 and 2013 are as follows:

(a) Special resolution approving the capital reorganisation was passed at the extraordinary general meeting of the Company held on 5 January 2012 (the "Capital Reorganisation"), which became effective on 18 January 2012. Details of the Capital Reorganisation are set out below:

(i) every twenty (20) issued and unissued shares of HK$0.05 each in the share capital of the Company be consolidated into one (1) share of HK$1.00 each (the "Consolidated Share(s)") in the share capital of the Company (the "Share Consolidation");

(ii) the nominal value of the Consolidated Shares in issue was reduced from HK$1.00 to HK$0.01 each (the "Adjusted Share(s)") by canceling the issued and paid-up capital to the extent of HK$0.99 on each of the Consolidated Share (the "Capital Reduction");

(iii) subsequent to the Share Consolidation and Capital Reduction, the authorised share capital of the Company was increased from HK$4,500,000 divided into 450,000,000 Adjusted Shares to HK$450,000,000 divided into 45,000,000,000 Adjusted Shares by the creation of additional 44,550,000,000 new Adjusted Shares; and

(iv) a credit of approximately HK$321,276,000 arose as a result of the Capital Reorganisation and was credited to the share premium account of the Company.

(b) Pursuant to a placing agreement dated 8 February 2012, 64,900,000 shares were issued and allotted at a consideration of HK$0.365 per share on 17 February 2012. The total net proceeds of approximately HK$22.5 million were raised as a result of this fund raising exercise and used as general working capital.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

30. RESERVES

The Company

	Share premium HK$'000	Capital reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	1,919,039	3,547	53,017	(279,480)	1,696,123
Capital Reorganisation *(note 29)*	321,276	–	–	–	321,276
Issue of shares pursuant to placement of shares	23,040	–	–	–	23,040
Share issue expenses on placement of shares	(1,162)	–	–	–	(1,162)
Lapse of share options	–	–	(152)	152	–
Loss for the year	–	–	–	(538,314)	(538,314)
At 31 December 2012 and 1 January 2013	2,262,193	3,547	52,865	(817,642)	1,500,963
Profit for the year	–	–	–	66,566	66,566
At 31 December 2013	**2,262,193**	**3,547**	**52,865**	**(751,076)**	**1,567,529**

The Company had no distributable reserve as at the end of the reporting period.

Capital reserve of the Company represents the amount of initial payment from certain shareholders to subscribe for new shares in the Company and the amount was subsequently forfeited as a result of non-payment of the remaining committed contribution.

The share premium reserve represents shares issued at premium. Details of the issue of shares pursuant to placement of shares of the Company during the year are stated in note 29.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

31. SHARE OPTION SCHEME

The existing share option scheme was approved and adopted by the shareholders of the Company at the extraordinary general meeting held on 8 November 2006 (the "Share Option Scheme"). The primary purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Pursuant to the Share Option Scheme, which will expire on 7 November 2016, the Company may grant share options to all directors and employees of the Company or its subsidiaries and any other persons including consultants, advisors, agents, customers, suppliers, service providers, contractors, business partners or connected persons (as such term is defined in the Listing Rules) of any member of the Group who, in the sole discretion of the board of the directors of the Company, have contributed or will contribute to the Group to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Share options granted should be accepted within 14 days from the offer date. Share options granted are exercisable during the period commencing on the date of grant and expiring on the date ten years after the date of grant. The number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10% of the shares in issue on the date of adoption of the Share Option Scheme. The total number of shares issued and to be issued upon exercise of the share options granted to each participant or grantee (as the case may be) (including both exercised and unexercised options) under the Share Option Scheme or any other share option schemes adopted by the Company in any 12 month period must not exceed 1% of the shares in issue unless otherwise approved by shareholders of the Company in accordance with the terms of the Share Option Scheme. The subscription price for the shares shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by The Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by The Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant. The subscription price will be determined by the board of directors of the Company at the time the share option is offered to the relevant participant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

31. SHARE OPTION SCHEME *(Continued)*

Details of specific categories of share options are as follows:

Tranche	Date of grant	Exercisable period	Closing price of the Company's shares immediately before the grant date	Exercise price at grant date	Exercise price at 31 December 2013
	dd/mm/yyyy	*dd/mm/yyyy*	*HK$*	*HK$*	*HK$*
One *(note a)*	23/03/2007	23/03/2007 to 22/03/2017	1.49	1.52	30.2
Two *(note b)*	23/05/2007	23/05/2007 to 22/05/2017	1.34	1.52	30.4
Three *(note c)*	03/12/2007	03/12/2007 to 02/12/2017	1.04	1.22	96.8

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

31. SHARE OPTION SCHEME *(Continued)*

Details of movements of the Company's share options held by directors, employees (other than directors) and other participants are as follows:

Name or category of participant	Date of grant *dd/mm/yyyy*	Exercisable period *dd/mm/yyyy*	Exercise price per share *HK$*	Number of share options: At 1 January 2013	Lapsed during the year	Outstanding at 31 December 2013
Directors						
Ng Shin Kwan, Christine	03/12/2007	03/12/2007 – 02/12/2017	96.8	211,455	–	211,455
Wong Yun Kuen	03/12/2007	03/12/2007 – 02/12/2017	96.8	655	–	655
Subtotal:				212,110	–	212,110
Employees other than directors in aggregate	03/12/2007	03/12/2007 – 02/12/2017	96.8	136,178	–	136,178
Subtotal:				136,178	–	136,178
Other participants in aggregate	03/12/2007	03/12/2007 – 02/12/2017	96.8	982,020	–	982,020
Subtotal:				982,020	–	982,020
Total:				1,330,308	–	1,330,308

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

31. SHARE OPTION SCHEME *(Continued)*

Notes:

(a) On 23 March 2007, 3,050,000 and 8,860,000 share options were granted to directors and employees of the Group, respectively. These share options entitle the holders thereof to subscribe for shares of the Company at a subscription price of HK$1.52 per share during the exercisable period from 23 March 2007 to 22 March 2017.

(b) On 23 May 2007, 231,000 share options were granted to employees of the Group. These share options entitle the holders thereof to subscribe for shares of the Company at a subscription price of HK$1.52 per share during the exercisable period from 23 May 2007 to 22 May 2017.

(c) On 3 December 2007, 26,936,000, 2,188,000 and 77,940,000 share options were granted to directors, employees (other than directors) of the Group and other participants, respectively. These share options entitle the holders thereof to subscribe for shares of the Company at a subscription price of HK$1.22 per share during the exercisable period from 3 December 2007 to 2 December 2017.

(d) There was no vesting period for the share options granted by the Company.

(e) There was no share options granted or exercised or cancelled during the year ended 31 December 2013.

(f) No share option granted under Tranche One and Two was outstanding as at 31 December 2013.

(g) The share options outstanding at the end of the year have a weighted average remaining contractual life of 3.92 years (2012: 4.92 years).

(h) Weighted average exercise price:

	2013	2012
	HK$	*HK$*
Outstanding at beginning of the year	**96.8**	4.83
Lapsed during the year	**N/A**	52.98
Outstanding at end of the year	**96.8**	96.8

As at the date of this report, a total of 1,299,841 shares are available for issue under the Share Option Scheme which represents approximately 0.02% of the issued share capital of the Company as at the date of this report.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

32. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

	2013	2012
	HK$'000	*HK$'000*
Operating lease rentals in respect of land and buildings	**8,849**	10,280

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases, which fall due as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**7,967**	6,883
In the second to fifth years inclusive	**5,644**	1,030
Over five years	**240**	269
	13,851	8,182

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years with fixed rentals.

33. CAPITAL COMMITMENTS

At 31 December 2013 and 2012, the Group had capital commitments as follows:

	2013	2012
	HK$'000	*HK$'000*
Commitments for the acquisition of property, plant and equipment	**–**	4,800
	–	4,800

34. PLEDGE OF ASSETS

At 31 December 2013 and 2012, the Group had no fixed assets pledged as security for any credit facilities granted to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

35. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs not exceeding HK$1,250 for each eligible employee to the scheme monthly. This contribution is matched by employees.

The employees of the Group's subsidiaries established in the PRC are members of state-managed retirement benefits schemes operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes are to make the specified contributions.

36. CONTINGENT LIABILITIES

Save as disclosed in note 27, no material contingent liabilities of the Group and the Company were noted at 31 December 2013 and 2012.

37. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements, during the year, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

Key management personnel remuneration

Remuneration for key management personnel is as follows:

	2013	2012
	HK$'000	*HK$'000*
Directors *(note 11)*:		
Short term employee benefits	**3,961**	3,795
Retirement benefits schemes contributions	**15**	14
	3,976	3,809
Key management:		
Short term employee benefits	**520**	468
Retirement benefits schemes contributions	**15**	8
	535	476

The related party transactions disclosed above did not fall under the definition of connected transaction or continuing connected transaction in Chapter 14A of the Listing Rules, with which the Company has complied throughout the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

38. EVENT AFTER THE REPORTING PERIOD

The following is the significant event which has taken place subsequent to the end of the reporting period:

On 21 January 2014, the Company entered into the placing agreement (the "Placing Agreement") with the Freeman Securities Limited (the "Placing Agent"), pursuant to which the Placing Agent has conditionally agreed to procure subscribers to subscribe for the convertible notes in the aggregate principal amount of up to HK$400,000,000. On 25 March 2014, the Company and the Placing Agent mutually agreed to terminate the Placing Agreement by entering into a termination agreement Details of the transactions are set out in the announcements of the Company dated 21 January 2014 and 25 March 2014.

39. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2014.

Five Year Financial Summary

	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	**2013** ***HK$'000***
RESULTS					
Turnover	67,988	36,618	31,886	13,500	**4,400**
Profit/(loss) before taxation	(70,391)	(186,296)	(438,534)	(341,906)	**4,524**
Income tax credit/(expense)	214	(498)	2,184	94,000	**(4,706)**
Loss for the year	(70,177)	(186,794)	(436,350)	(247,906)	**(182)**
Loss attributable to:					
Owners of the Company	(70,177)	(186,794)	(436,350)	(246,300)	**(178)**
Non-controlling interests	–	–	–	(1,606)	**(4)**
	(70,177)	(186,794)	(436,350)	(247,906)	**(182)**
ASSETS AND LIABILITIES					
Total assets	1,625,339	1,567,180	1,652,948	1,353,736	**1,382,278**
Total liabilities	(192,156)	(197,680)	(188,341)	(134,114)	**(161,205)**
	1,433,183	1,369,500	1,464,607	1,219,622	**1,221,073**
Equity attributable to owners of the Company	1,433,183	1,369,500	1,464,607	1,216,238	**1,217,693**
Non-controlling interests	–	–	–	3,384	**3,380**
	1,433,183	1,369,500	1,464,607	1,219,622	**1,221,073**