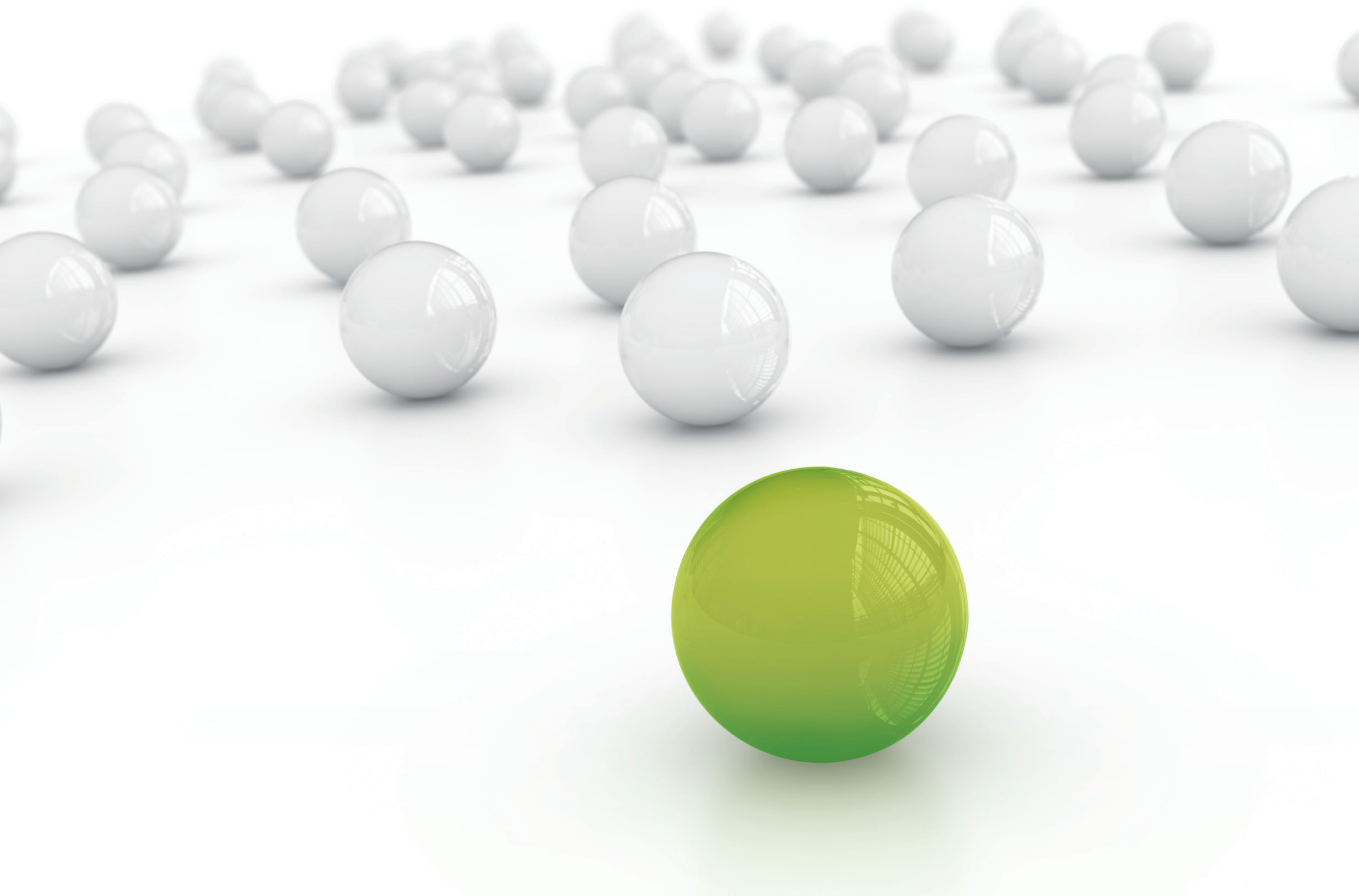
中國礦業資源集團有限公司*

China Mining Resources Group Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 340

2013 Annual Report



* For identification purpose only

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

You Xian Sheng *(Chairman)*
(Resigned on 31 January 2014)
Chen Shou Wu *(Deputy Chairman, Chief Executive Officer and Chief Investment Officer)*
(Resigned on 1 March 2014)
Wang Hui
Yeung Kwok Kuen *(Chief Financial Officer)*
(Resigned on 1 March 2014)
Fang Yi Quan

Independent Non-executive Directors:

Chong Cha Hwa
Chu Kang Nam
Lin Xiang Min (Resigned on 31 January 2014)
Ngai Sai Chuen (Appointed on 1 March 2014)

COMPANY SECRETARY

Leung Lai Ming

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1306, 13th Floor
Bank of America Tower
12 Harcourt Road
Admiralty
Hong Kong

AUDITORS

ZHONGLEI (HK) CPA Company Limited
Suites 313-316, 3/F Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
(Formerly known as Butterfield Fulcrum Group (Bermuda) Limited)
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
18/F Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank (Asia) Corporation Limited
UBS AG
China Construction Bank
Agricultural Bank of China
Bank of China

STOCK CODE

00340

COMPANY WEBSITE

www.chinaminingresources.com

MANAGEMENT DISCUSSION AND ANALYSIS

I am pleased to present to our shareholders, the annual report of China Mining Resources Group Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2013.

RESULTS

For the financial year ended 31 December 2013, the Group recorded a revenue of HK$186,585,000 (2012: HK$221,646,000) and gross profit of HK$50,637,000 (2012: HK$95,023,000) from continuing operations, representing a decrease of 16% and 47% respectively as compared with last year. The decrease in revenue was mainly due to the significant decrease of revenue generated from King Gold Investment Limited ("King Gold") and its subsidiaries (together with King Gold, "King Gold Group") and a moderate decrease of revenue generated from Harbin Songjiang Copper (Group) Company Limited ("Harbin Songjiang") and its subsidiaries (together with Harbin Songjiang, "Harbin Songjiang Group").

The Group's loss attributable to owners of the Company amounted to HK$311,048,000 (2012: HK$110,858,000). In particular, the significant increase in loss was mainly attributable to the impairment losses of HK$88,295,000 on goodwill, impairment loss of HK$27,777,000 on brand name (HK$22,222,000 attributable to equity owners), impairment losses of HK$61,184,000 on property, plant and equipment (HK$48,894,000 attributable to equity owners), impairment losses of HK$32,083,000 on mining rights (HK$24,088,000 attributable to equity owners), impairment losses of HK$24,998,000 on available-for-sale investments (HK$24,998,000 attributable to equity owners) impairment losses of HK$15,357,000 a short-term loan and loan interest and receivables (HK$10,750,000 attributable to equity owners).

The staff costs of HK$10,350,000 (2012: HK$Nil) arising from granting of share options to directors and employees of the Group was recognised as expenses during the year.

REVIEW OF OPERATIONS

Harbin Songjiang Group

Harbin Songjiang is based in Harbin, Heilongjiang Province, the People's Republic of China (the "PRC") and specialises in the mining, processing and sale of molybdenum. Harbin Songjiang Group contributed HK$46,163,000 (2012: HK$50,761,000) and HK$66,891,000 (2012: profit of HK$6,362,000) to the Group's revenue and loss respectively for the year ended 31 December 2013. Revenue in respect of the mining business for the year ended 31 December 2013 has decreased by 9% to HK$46,163,000 in the year 2013 from HK$50,761,000 in the year 2012. The decrease was mainly attributable to the decrease in selling price of ferro molybdenum in the year 2013. The average selling price of ferro molybdenum fell to around HK$121,484 per tonne during the year ended 31 December 2013 (2012: HK$131,847 per tonne). The cost of sales of Harbin Songjiang Group increased from HK$40,445,000 in 2012 to HK$56,359,000 in the year 2013. The average gross loss margin was 22% in the year 2013 (2012: gross profit of 20%). The significant deterioration of the gross profit margin was mainly due to the higher unit production cost of molybdenum which caused by the significant increase in labour cost and others production cost in Mainland China and the decrease in the selling prices of molybdenum during the year.

In view of the continuing decrease in the market price and the increase in production cost of ferro molybdenum-related products in Mainland China, the directors of the Company considered that the mining right of molybdenum mine should be further impaired in year 2013. A valuation was performed by an independent valuer to assess the impairment by a cash flow projection basis. Accordingly, an impairment loss of approximately HK$32,083,000 (2012: HK$Nil) was recognized in the consolidated statement of comprehensive income during the year 2013.

REVIEW OF OPERATIONS *(CONTINUED)*

King Gold Group

King Gold Group is principally engaged in cultivation, research, production and sale of Chinese tea products, and its products selling under the brand names of "武夷" and "武夷星" which are well-recognised in the PRC as premium tea products and widely distributed throughout the country. King Gold Group contributed HK$140,421,000 (2012: HK$170,870,000) and HK$187,891,000 (2012: HK$13,733,000) to the Group's revenue and loss for the year ended 31 December 2013 respectively. For the financial year ended 31 December 2013, King Gold Group generated a revenue of HK$140,421,000 (2012: HK$170,870,000). This represented a decrease of 18% in revenue when compared with last year. Decrease in revenue was mainly attributable to the effects of slowdown of the economic development in the PRC and various austerity measures implemented by the PRC government which had affected the general spending sentiment and confidence of customer market in the PRC. The cost of sales of King Gold Group decreased from HK$86,177,000 in the year 2012 to HK$79,589,000 in the year 2013. The decrease in sale of high profit margin superior product, and the increase in competition in the tea product market, coupled with rising labour costs and raw material costs (raw material being the tea leaves), led to a further shrinking profit margin in our tea business. The average gross profit margin was 43%, representing a decrease of 7% as compared with an average gross profit margin of 50% last year.

Goodwill and brand name are allocated to the Group's tea business cash-generating unit and they are arising from the acquisition of King Gold Group in 2009. In view of the deterioration of the Group's tea business in year 2013 caused by the aforementioned slowdown of the economic development in the PRC and various austerity measures implemented by the PRC government which had affected the general spending sentiment and confidence of customer market in the PRC, the directors of the Company determine that there is impairment indication of the goodwill and brand name and the related property, plant and equipment of the tea business of King Gold Group as at the year ended 31 December 2013. A valuation was performed by an independent valuer to assess the impairment by a cash flow projection basis. Accordingly, impairment losses in respect of the goodwill and brand name and property, plant and equipment of HK$88,295,000 (2012: HK$Nil) and HK$27,777,000 (2012: HK$Nil) and HK$60,658,000 (2012: HK$Nil) respectively, were recognised in the consolidated statement of comprehensive income during the year 2013.

Year Joy Group

Year Joy Investments Limited ("Year Joy") indirectly owns 100% of the economic benefit from the operation of the iTV business of China iTV Network Co., Ltd. ("China iTV"), a company established in the PRC on 7 September 1998 with limited liability, through an exclusive business operation agreement. China iTV is mainly engaged in providing online video service which involves an online video platform that offers various contents and delivers various value-added services to the customers of telecommunication operators in the PRC. For the financial year ended 31 December 2012, iTV business started generating revenue. The iTV business is still in the stage of developing client networks. Year Joy and its subsidiaries ("Year Joy Group") contributed HK$1,000 (2012: HK$15,000) and HK$18,731,000 (2012: HK$13,836,000) to the Group's revenue and loss for the year ended 31 December 2013.

Investments in Canada listed mining companies and other securities

The Group invested in several Canada listed mining companies which were held for the purpose of long-term investments and capital gain and dividend income during the year ended 31 December 2013. The investment portfolio of the Group, including available-for-sale investments, recorded a depreciation during the year ended 31 December 2013. The net decrease in fair value of the investment portfolio during the year was HK$58,330,000 (2012: HK$97,732,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2013, the Group had total assets and net assets amounted to HK$741,600,000 (2012: HK$997,022,000) and HK$8,020,000 (2012: HK$327,631,000), respectively. The current ratio was 0.95, as compared to 1.12 as of last year end.

As at 31 December 2013, the Group had bank balances and cash, of HK$118,555,000 (2012: HK$117,073,000), and most of which were denominated in Renminbi and Hong Kong dollars.

At the end of the reporting period, the Group had: (i) bank borrowings of HK$107,806,000 (2012: HK$67,496,000) which were denominated in Renminbi and interest-bearing at floating rates with reference to the prevailing borrowing rate quoted by the People's Bank of China and (ii) other loans of HK$6,710,000 (2012: HK$6,492,000), which were denominated in Renminbi, of which HK$1,268,000 was interest free and HK$5,442,000 was interest-bearing at 2.55% per annum. The gearing ratio, as a ratio of total borrowings to shareholders' fund was negative of 76.9% due to the Company's negative equity position, (2012: positive of 53.0%).

As at 31 December 2013, the Group has pledged a building and a prepaid lease payment with carrying values of approximately HK$35,319,000 (2012: HK$18,639,000) and HK$19,938,000 (2012: HK$19,711,000) respectively to secure general banking facilities grant to the Group.

FOREIGN EXCHANGE RISK MANAGEMENT

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

SHARE CAPITAL

As at 31 December 2013, the Company had 9,138,782,211 ordinary shares and 3,776,190,000 non-redeemable convertible preference shares in issue with total shareholders' fund of the Group amounting to approximately HK$1,291,497,000.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2013.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no contingent liability (2012: Nil).

As disclosed in the announcement of the Company dated 8 November 2011, the Company has received a writ of summons issued by the High Court of Hong Kong Special Administrative Region on 8 November 2011 (the "Writ") pursuant to which Mr. Lin Min and Fujian Yuansheng Foods Industry Co. Ltd. ("Fujian Yuansheng") (named as the plaintiffs in the writ) alleged that, amongst other things, the Company and 27 other co-defendants and/or certain PRC government officials had acted in conspiracy in obtaining ownership and control of certain assets of the plaintiffs and they were claiming for, amongst other things, damages from all 28 defendants jointly and severally in the total amount of RMB1,589,000,000.

As announced by the Company on 8 November 2011 and 26 March 2010, the Company has not obtained any interests in Fujian Yuanshen and is seeking legal advice in response to the Writ, in the opinion of the directors, the possible of an outflow of resources embodying economic benefit is remote.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group had approximately 12 and 803 employees in Hong Kong and Mainland China respectively.

The staff cost of the Group (including directors' remuneration in form of salary and other benefits, share-based payments, performance related incentive payments and retirement benefit contributions) was approximately HK$53,989,000 for the year ended 31 December 2013 (2012: HK$45,803,000). There was a share-based payment of HK$10,350,000 arising from grant of share options for the year ended 31 December 2013 (2012: HK$Nil).

Directors' remuneration were fixed with reference to their duties and responsibilities with the Company as well as the Company's remuneration policy.

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

According to the share option scheme adopted by the Company on 26 June 2002 and 25 May 2012, share options may be granted to directors, employees and other eligible participants of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

PROSPECTS

The international and domestic molybdenum market has no significant improvement in the operation in year 2013 as the market price of the molybdenum products continued to hover at a low level and the risks and pressure remained in this industry. Despite the challenging business conditions of molybdenum industry, the Group has maintained a stable business performance of ferro molybdenum during the year thereby positioning itself to grasp the opportunities that will come with the recovery of the market.

Due to the slowdown of economic development in the PRC and the various austerity measures implemented by the PRC government, there is a decline of operating result of the tea business in 2013. However, the management of the Group still put great efforts to increase market promotion and distribution network so that to expand the customer base and promote the "Wuyi star" and "Wuyi" brands in the PRC market. During year 2013, the Group has continued to maintain a stable pace in new store expansion and prudently selected the location of new stores to ensure their quality. The future operating environment of tea industry in the PRC in 2014 is still expected to face significant challenge and uncertainties. Looking forward, the Group will continue to strengthen the existing tea products under "Wuyi star" and "Wuyi" brands, develop and launch new and exclusive tea products, focus on the promotion and expansion of the existing distribution networks in terms of number of stores and coverage, and explore new sales platforms and channels to broaden its customer base.

For the online video business, the Group will continue to focus on the cooperation with the major telecommunication operators in the PRC and develop more value-added services, including, but not limited to, online video service, mobile value-added service to the customers of telecommunication operators. The ultimate goal for the online video business is to have a long-term and stable cooperative relationship with the major telecommunications operators in the PRC and to continue to develop relevant internet and mobile value-added service applications to the end-users of the telecommunications operators.

Looking ahead, we will continue to adhere to our established business strategy of strengthening the internal management process, closely monitoring the cost structure, improving capital utilization, optimizing the resource allocation and product mix, so that to enhance the Group's operational efficiency. We will strive to increase our competitiveness as well as gaining market share in all business segments so as to generate the best return to our shareholders.

APPRECIATION

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

By Order of the Board
China Mining Resources Group Limited

Wang Hui
Executive Director

Hong Kong, 28 March 2014

EXECUTIVE DIRECTORS

YOU Xian Sheng (Resigned)

Dr. You Xian Sheng ("Dr. You"), aged 59, was appointed as an executive director, chief executive officer and the deputy chairman of the Company on 31 January 2008. Dr. You was re-designated as the chairman of the Company on 5 June 2009 and resigned as the chief executive officer of the Company on the same date.

Dr. You was resigned as the chairman and executive director of the Company on 31 January 2014.

Dr. You graduated from Chengdu Geological College（成都地質學院）in 1977. Dr. You has also obtained a master's degree in Economics from Nankai University（南開大學）and a doctorate degree in Industrial Economics from Fudan University（復旦大學）. Dr. You has been engaged in geological survey related work for almost 20 years. In 1972, Dr. You joined Geology and Petroleum Team（地質石油隊）of Fujian Province and has become brigade leader of 2nd Hydro-geology Brigade（第二水文地質大隊）of Fujian Province and the general manager of Fujian Geo-engineering Investigation Corporation. In 1992, Dr. You was appointed as deputy commissioner（副專員）and commissioner of the administrative office（行政公署）of Longyan District, Fujian Province, the mayor of the People's Government of Longyan City（龍岩市人民政府）, Fujian Province and was later appointed as the chairman of Department of Electronic Industry（電子工業廳廳長）and the chairman of Department of Information Industry（信息產業廳廳長）of Fujian Province during the period from February 1998 to November 2000. Prior to joining the Company, Dr. You was the chairman of the board of directors and the managing director of Fujian Haihong Science & Technology Development Co., Ltd（福建海宏科技發展有限公司）.

CHEN Shou Wu (Resigned)

Mr. Chen Shou Wu ("Mr. Chen"), aged 50, was appointed as an executive director of the Company on 21 December 2007 and was subsequently appointed as the deputy chairman and chief executive officer of the Company on 5 June 2009. Mr. Chen was appointed as an executive vice president and chief investment officer of the Company on 17 September 2007 and resigned as the executive vice president of the Company on 5 June 2009.

Mr. Chen was resigned as the deputy chairman, executive director, chief executive officer and chief investment officer of the Company on 1 March 2014.

Mr. Chen graduated from Jilin University（吉林大學）, the PRC with a bachelor's degree in Mineral Resources Exploration in 1985 and a master's degree in Geological Science in 1988. He has also obtained a master's degree in Business Administration from Richard Ivey Business School of University of Western Ontario in Canada in 2003. Prior to joining the Company, Mr. Chen worked for the Standard Bank as the senior vice president in the mining and metals division. For the period from 2003 to 2007, Mr. Chen has worked for Kingsway Group, an investment banking firm, as a senior mining analyst, Golden China Management Inc., a venture capital firm, as a business development manager, and Golden China Resources Corporation (GCX — Toronto Stock Exchange), a public company listed on the Toronto Stock Exchange which is engaged in the mining business, as a merchant banking manager. Mr. Chen has over 10 years of experience in the precious metals sector in the PRC. He was a council member of China Gold Society（中國黃金學會）and a research professor in the Shenyang Institute of Geology and Mineral Resources of the Ministry of Land and Resources（國土資源部）of the PRC. Mr. Chen is a director of Fortune Minerals Limited, a company whose shares are listed on the Toronto Stock Exchange. Mr. Chen is also a director of Majestic Gold Corp., a company whose shares are listed on the TSX Venture Exchange.

EXECUTIVE DIRECTORS *(CONTINUED)*

WANG Hui

Mr. Wang Hui ("Mr. Wang"), aged 54, was appointed as an executive director of the Company on 5 July 2007. Mr. Wang is also a director of Harbin Songjiang Copper (Group) Company Limited ("Harbin Songjiang"), a subsidiary of the Company. Mr. Wang is also a director of two subsidiaries of the Company.

Mr. Wang graduated from Harbin Normal University in 1984 and is a senior economist. Mr. Wang has been the chief advisor of Harbin Songjiang since April 2002 and mainly assisted Harbin Songjiang in assessing and procuring exploration and mining projects, evaluating scale of mining operations and improving corporate governance of the then state-owned enterprise. In November 2005, Mr. Wang extended his responsibilities in Harbin Songjiang to formulation and execution of Harbin Songjiang's overall business strategies and policies and spearheading the growth of Harbin Songjiang's business.

Pursuant to a supplemental letter dated 26 August 2013, Mr. Wang would be entitled to an annual remuneration of HK$600,000 and RMB480,000 with effect from 1 September 2013.

YEUNG Kwok Kuen (Resigned)

Mr. Yeung Kwok Kuen ("Mr. Yeung"), aged 40, was appointed as an executive director of the Company on 17 January 2007. Mr. Yeung was also the qualified accountant and chief financial officer of the Company.

Mr. Yeung was resigned as the executive director, qualified accountant and chief financial officer of the Company on 1 March 2014.

Mr. Yeung graduated from The Chinese University of Hong Kong with a bachelor degree in Professional Accountancy and obtained a master degree in Corporate Finance from The Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Yeung has over 18 years of experience in handling accounting and finance matters. From 2004 to 2006, Mr. Yeung was the chief financial officer of a trading and manufacturing group and prior to this, Mr. Yeung was the manager of an international accounting firm.

FANG Yi Quan

Mr. Fang Yi Quan ("Mr. Fang"), aged 64, was appointed as an executive director of the Company on 23 November 2011. Mr. Fang is also a director of several subsidiaries of the Company.

Mr. Fang was graduated from Fujian Medical University in September 1974 and is a senior economist. Mr. Fang joined the PRC Communist Party in 1970 and was promoted as a military officer（軍官）to the Communist Party in the same year. Mr. Fang participated in People's Liberation Army from February 1968 to October 1999 and was honoured with Second Class（二等功）and Third Class（三等功）awards by the government of People's Republic of China. Mr. Fang has over 30 years of experience in management and his management effort has been recognised by the Chinese government over the years. During his service with the People's Liberation Army, Mr. Fang worked in Fujian Mingqing Pharmaceutical Factory（福建閩清製藥廠）of the People's Liberation Army as factory director, Party Secretary（黨委書記）and legal representative（法人代表）. During his service, Fujian Mingqing Pharmaceutical Factory has received a number of awards from the People's Liberation Army General Logistic Department and Nanjun Military Region. From October 1999 to June 2011, Mr. Fang has been working for Fujian Jingxie Group Company（福建經協集團公司）as its group chairman, general manager and Party Secretary（黨委書記）. In 1996, Mr. Fang was awarded the rank of senior colonel by the Central Military Commission.

Pursuant to a supplemental letter dated 26 August 2013, Mr. Fang would be entitled to an annual remuneration of HK$480,000 with effect from 1 September 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHONG Cha Hwa

Mr. Chong Cha Hwa ("Mr. Chong"), aged 47, was appointed as an independent non-executive director of the Company on 23 November 2011.

Mr. Chong is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. Mr. Chong has obtained a degree of bachelor of management with honours from the University of Science, Malaysia. Prior to joining the Group, Mr. Chong has gained more than 20 years of experience in the accounting and finance area servicing private and publicly listed companies in Hong Kong and the Southern Asia region. He is an independent non-executive director of Boshiwa International Holding Limited (Stock Code: 1698), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), an executive director of CVM Minerals Limited (Stock Code: 705), a company listed on the Main Board of the Stock Exchange and an executive director of Sing Pao Media Enterprises Limited (Stock Code: 8010), a company listed on The Growth Enterprise Market of the Stock Exchange. During the period from 3 December 2007 to 28 February 2013, Mr. Chong was an independent non-executive director of Longlife Group Holdings Limited (Stock Code: 8037), a company listed on The Growth Enterprise Market of the Stock Exchange. During the period from 1 July 2012 to 13 November 2012, Mr. Chong was an executive director of RCG Holdings Limited (Stock Code: 802), a company listed on the Main Board of the Stock Exchange. During the period from 19 October 2006 to 18 August 2011, Mr. Chong was an independent non-executive director of CGN Mining Company Limited (Formerly known as Vital Group Holdings Limited) (Stock Code: 1164), a company listed on the Main Board of the Stock Exchange.

CHU Kang Nam

Mr. Chu Kang Nam ("Mr. Chu"), aged 57, was appointed as an independent non-executive director of the Company on 16 May 2007.

Mr. Chu graduated from Xiamen University with a Bachelor of Arts degree, and thereafter, has lectured at the Xiamen University. Mr. Chu has worked in government departments of the Fujian Province of the PRC for the period from June 1984 to November 1989, responsible for research and management positions in economics and foreign trade areas. Mr. Chu has also assumed senior management positions at various trading and retail companies since December 1989. In September 1995, he was employed as a research analyst at the Fujian Provincial Government Development Research Centre. Mr. Chu has over 20 years of management and operation experience in the areas of economics and trading. During the period from 1 August 2007 to 17 October 2012, Mr. Chu was an independent director of Gushan Environmental Energy Limited, a company whose shares were listed on the New York Stock Exchange and delisted since 17 October 2012.

LIN Xiang Min (Resigned)

Mr. Lin Xiang Min ("Mr. Lin"), aged 66, was appointed as an independent non-executive director of the Company on 31 January 2008.

Mr. Lin was resigned as the independent non-executive director of the Company on 31 January 2014.

Mr. Lin is a specialist in production safety of mining industry（礦業安全生產）. He graduated from Shandong University of Science and Technology with a major in Mining Engineering（山東科技大學）in 1975. Mr. Lin was a professor of the College of Environment and Resources（環境與資源學院）of Fuzhou University（福州大學）for 32 years. During his time with Fuzhou University, Mr. Lin has conducted research and taught subjects mainly in the areas of mining, mine safety and ventilation, industrial fire and explosion prevention, etc. Mr. Lin is currently a specialist of the specialist team in coal mine safety（煤礦安全生產專家組）of Fujian Province. Mr. Lin was awarded the honor of "中華百名管理創新傑出人物" in 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(CONTINUED)*

NGAI Sai Chuen

Mr. Ngai Sai Chuen ("Mr. Ngai"), aged 63, was appointed as an independent non-executive director of the Company on 1 March 2014.

Mr. Ngai was awarded an associate degree by a college in the PRC in 1987. He worked for the railway system in Fuzhou for ten years from 1972. He then acted as a deputy section chief of Fujian People's Government General Office until 1989. From 1989 to 1994, he acted as the general manager of a subsidiary company of China Fujian Corp for International Techno-Economic Corporation. He then acted as the department manager of Fujian Economy Consultation Company until 2004. Currently, he is a director of Jadford International Limited and acts as consultant of Space (Fujian) Information Technology Development Limited. During the period from 1 February 2010 to 17 February 2014, Mr. Ngai was an independent non-executive director of Buildmore International Limited (Stock Code: 108), a company listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

YIN Guangyuan

Mr. Yin Guangyuan ("Mr. Yin"), aged 50, is a managing director of Harbin Songjiang, a subsidiary of the Company. He graduated from Heilongjiang People's Police School（黑龍江省人民警察學校）in 1982 and graduated from Chinese People's Public Security University（中國公安大學）with a major in Law in 1986. Mr. Yin was appointed as the chairman（處長）of Songjiang Copper Group in 2001, the deputy general manager of Harbin Songjiang in 2005, the general manager in 2007 and has been working at the present position since 2008. Mr. Yin is currently responsible for the overall administration and operation management of Harbin Songjiang Group. Mr. Yin is also a director of a subsidiary of the Company.

QIAO Hongbo

Mr. Qiao Hongbo ("Mr. Qiao"), aged 49, is a general manager and director of Harbin Songjiang, a subsidiary of the Company. Mr. Qiao graduated from Inner Mongolia University of Science and Technology with a major in Mining in 1987 and is a senior mining engineer. Mr. Qiao joined Songjiang Copper Mine in 1987 and was appointed as the deputy mine manager of Acheng Xiaoling Iron & Zinc Mine in 1996, the principal of the production division and the general manager assistant of Songjiang Copper Group and the deputy investigation manager of Songjiang Molybdenum Company（松江鉬業公司）in 1998, the deputy general manager and director of Harbin Songjiang in 2000 and has been working at the present position since 2012. Mr. Qiao has over 20 years of working experience in mining sites and is an expert in project management and mining project techniques, possessing extensive experience in geology mining, mining sites' management and construction. He is proficient in project management procedures and skill innovation, and was awarded with Heilongjiang Technology Advancement Third Tier Award in Metallurgy System（黑龍江冶金系統科技進步三等獎）. Mr. Qiao is currently responsible for the project management and technical supervision of Harbin Songjiang Group. Mr. Qiao is also a director of a subsidiary of the Company.

SENIOR MANAGEMENT *(CONTINUED)*

QU Yanchun

Mr. Qu Yanchun ("Mr. Qu"), aged 42, is a deputy general manager and director of Harbin Songjiang, a subsidiary of the Company. Mr. Qu graduated from the Department of Economics and Trading of Heilongjiang Institute of Science in 1994, and is a Chinese Certified Public Accountant. Mr. Qu was appointed as the officer of the financial division of Songjiang Copper Group in 1996, the director of financial division of Songjiang Copper Group in 1999, the assistant to general manager and director of financial division of Harbin Songjiang in 2004, has been working at the present position since 2007 and was appointed as the director of Harbin Songjiang in 2008. Mr. Qu has 18 years of experience in financial management and is currently responsible for the financial management of Harbin Songjiang Group. Mr. Qu is also a director of two subsidiaries of the Company.

LEUNG Lai Ming

Ms. Leung Lai Ming ("Ms. Leung"), aged 37, is the company secretary and the accounting manager of the Company. Ms. Leung graduated from The Hong Kong Polytechnic University with a bachelor degree in Accountancy. Ms. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. Ms. Leung has 15 years of experience in handling accounting matters. Ms. Leung joined the Company in July 2007. Ms. Leung is also a director of several subsidiaries of the Company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has a policy of seeking to comply with the established best practice in corporate governance. The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of its shareholders. For the year ended 31 December 2013, the Company has applied the principles of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) (the “Code”), and the associated Listing Rules. During the year ended 31 December 2013, the Company has complied with all the applicable code provisions of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors of the Company regarding any non-compliance with the required standards set out in the Model Code and its code of conduct regarding directors’ securities transaction during the year ended 31 December 2013, and they all confirmed that they had fully complied with the Model Code.

BOARD OF DIRECTORS

Composition

Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

You Xian Sheng, *Chairman* (resigned on 31 January 2014)
Chen Shou Wu, *Deputy Chairman, Chief Executive Officer and Chief Investment Officer* (resigned on 1 March 2014)
Wang Hui
Yeung Kwok Kuen, *Chief Financial Officer* (resigned on 1 March 2014)
Fang Yi Quan

Independent Non-executive Directors:

Chong Cha Hwa
Chu Kang Nam
Lin Xiang Min (resigned on 31 January 2014)
Ngai Sai Chuen (appointed on 1 March 2014)

The biographical details of the directors of the Company are set out under the section headed “Biographical Details of Directors and Senior Management” of this annual report.

The composition of the Board is well balanced with the directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group.

BOARD OF DIRECTORS *(CONTINUED)*

There is no relationship among the members of the Board.

During the year ended 31 December 2013, the Board had at all times at least three independent non-executive directors of the Company and at least one independent non-executive director of the Company who has appropriate professional qualifications or accounting or related financial management expertise.

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

Board Responsibilities and Delegation

The principal roles of the Board are to oversee the strategic development, to determine the objectives, strategies and policies of the Group, to monitor and control the financial performance and to ensure effective internal controls and risk management. Implementation of strategies and day-to-day operations are delegated to the management. In order to better understand the respective accountabilities and contributions of the Board and management, the Company has adopted written terms of reference specifying a schedule of matters which should be reserved to the Board and which should be delegated to management.

Board Meetings and General Meetings

During the year, a total of eleven Board meetings (including four regular meetings) were held and the attendance records are as follows:

Name of Directors	Number of Board Meetings Attended
You Xian Sheng	11/11
Chen Shou Wu	11/11
Wang Hui	11/11
Yeung Kwok Kuen	*(Note)* 0/11
Fang Yi Quan	11/11
Chong Cha Hwa	11/11
Chu Kang Nam	11/11
Lin Xiang Min	11/11

Note: Duty as an executive director of the Company has been suspended since 2 January 2012.

During the year, one general meeting of the Company was held and the attendance records are as follows:

Name of Directors	Number of General Meeting Attended
You Xian Sheng	1/1
Chen Shou Wu	1/1
Wang Hui	1/1
Yeung Kwok Kuen	*(Note)* 0/1
Fang Yi Quan	1/1
Chong Cha Hwa	1/1
Chu Kang Nam	1/1
Lin Xiang Min	1/1

Note: Duty as an executive director of the Company has been suspended since 2 January 2012.

BOARD OF DIRECTORS *(CONTINUED)*

Induction and Professional Development

Upon appointment to the Board, each director of the Company is provided with guideline and reference materials to enable them to be familiarised with the Group's business operations and Board's policies, as well as the general and specific duties of directors under general law (the common law and legislation) and the Listing Rules.

The directors of the Company have participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The continuous professional development programme comprised training seminars provided by professional bodies and reading regulatory updated materials. The costs for such trainings are borne by the Company.

During the year, all directors of the Company have participated in continuous professional development by attending seminars/reading regulatory updated materials and materials relevant to the Company's business, director's duties and responsibilities and provided a record of training they received to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr. You Xian Sheng was appointed as the Chief Executive Officer of the Company on 31 January 2008 and re-designated as the Chairman of the Company on 5 June 2009. Mr. Chen Shou Wu was appointed as the Chief Executive Officer of the Company on 5 June 2009.

The roles of Chairman and Chief Executive Officer are clearly defined by written terms of reference adopted by the Company in order to ensure a balance of power and authority, so that power is not concentrated in any one individual. The Chairman and the Chief Executive Officer of the Company are independent and not connected with each other except for being officers of the same company.

NON-EXECUTIVE DIRECTORS

All the independent non-executive directors of the Company were appointed for an initial term of one year. All directors of the Company appointed during the year are subject to re-election by shareholders of the Company at the next annual general meeting after their appointment and every director of the Company (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in 2005. The current members of the Remuneration Committee are:

Chong Cha Hwa, *Independent Non-executive Director, Chairman of the Remuneration Committee*
Chu Kang Nam, *Independent Non-executive Director*
Lin Xiang Min, *Independent Non-executive Director* (resigned on 31 January 2014)
Ngai Sai Chuen, *Independent Non-executive Director* (appointed on 1 March 2014)
Yeung Kwok Kuen, *Executive Director* (resigned on 1 March 2014)
Fang Yi Quan, *Executive Director* (appointed on 1 March 2014)

The Remuneration Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

REMUNERATION COMMITTEE *(CONTINUED)*

The Remuneration Committee is primarily responsible for the following duties:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. to consult the chairman of the Board and/or the chief executive of the Company about their remuneration proposals for other executive directors of the Company;

4. to make recommendations to the Board on the remuneration packages of individual executive directors and senior management of the Company;

   This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

5. to make recommendations to the Board on the remuneration of non-executive directors of the Company;

6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;

7. to review and approve the compensation payable to executive directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and is otherwise fair and not excessive;

8. to review and approve compensation arrangements relating to dismissal or removal of directors of the Company for misconduct to ensure that they consistent with contractual terms and are otherwise reasonable and appropriate;

9. to ensure that no director of the Company or any of his associates is involved in deciding his own remuneration; and

10. to deal with any other matters delegated by the Board.

The Remuneration Committee met seven times during the year to review the remuneration policies and remuneration packages of the directors and members of the senior management of the Company, approve bonus payment to the directors and members of the senior management of the Company, review the renewal of employment contracts of directors of the Company and review the share options of the Company granted during the year.

REMUNERATION COMMITTEE *(CONTINUED)*

Individual attendance of each member of the Remuneration Committee during the year ended 31 December 2013 is set out below:

Name of Members	**Number of Remuneration Committee Meetings Attended**
Chong Cha Hwa	7/7
Chu Kang Nam	7/7
Lin Xiang Min	7/7
Yeung Kwok Kuen	*(Note)* 0/7

Note: Duty as a member of the Remuneration Committee has been suspended since 2 January 2012.

Details of the remuneration of the directors and chief executives of the Company for the year ended 31 December 2013 are set out in note 14 to the consolidated financial statements.

Senior Management Remuneration By Band

The emoluments of the members of the senior management of the Group for the year ended 31 December 2013 fell within the following bands:

Emoluments bands *(Note)*	**Number of individuals**
HK$0 — HK$1,000,000	4
HK$1,000,001 — HK$2,000,000	3
HK$2,000,001 — HK$3,000,000	3
HK$3,000,001 — HK$4,000,000	2

Note: The emoluments comprised share-based payments.

NOMINATION COMMITTEE

The Company established the Nomination Committee in March 2012. The current members of the Nomination Committee are:

Chong Cha Hwa, *Independent Non-executive Director, Chairman of the Nomination Committee*
Chu Kang Nam, *Independent Non-executive Director*
Lin Xiang Min, *Independent Non-executive Director* (resigned on 31 January 2014)
Ngai Sai Chuen, *Independent Non-executive Director* (appointed on 1 March 2014)

The Nomination Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Nomination Committee is primarily responsible for the following duties:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

NOMINATION COMMITTEE *(CONTINUED)*

3. to assess the independence of independent non-executive directors of the Company;

4. to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive of the Company;

5. to make recommendations to the Board on the membership of Board committees e.g. audit committee and remuneration committee, in consultation with the chairman of the Board and the chairmen of such committees, as appropriate;

6. before recommending an appointment of the Board, to evaluate the existing balance of skills, knowledge and experience on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment; and

7. to deal with any other matters delegated by the Board.

The Nomination Committee met three times during the year to review the size, composition and structure of the Board, formulate the Board diversity policy and recommend to the Board for approval and review the renewal of employment contracts of the directors of the Company.

Individual attendance of each member of the Nomination Committee during the year ended 31 December 2013 is set out below:

Name of Members	Number of Nomination Committee Meetings Attended
Chong Cha Hwa, *Independent Non-executive Director, Chairman of the Nomination Committee*	3/3
Chu Kang Nam, *Independent Non-executive Director*	3/3
Lin Xiang Min, *Independent Non-executive Director*	3/3

Each director of the Company appointed during the year is subject to re-election by shareholders of the Company at the next annual general meeting of the Company after his appointment and every director of the Company (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

No director of the Company is involved in fixing his own terms of appointment and nominations and no independent non-executive director of the Company is involved in assessing his own independence.

Summary of the Board Diversity Policy

The Company recognises and embraces the benefits of diversity in the members of the Board to enhance the quality of its performance and hence the purpose of the Board Diversity Policy aims to build and maintain a Board with a diversity of Directors, in terms of skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be taken into account in determining the optimum composition of the Board. The Nomination Committee will discuss the measurable objectives for implementing diversity on the Board from time to time and recommend them to the Board for adoption.

The Nomination Committee will report annually on the composition of the Board under diversified perspectives and monitor the implementation of this policy to ensure the effectiveness of this policy.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions including, but not limited to, developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors, the Company's policies and practices in compliance with legal and regulatory requirements.

The Board has adopted terms of reference of the Board on corporate governance which in line with the Code in March 2012.

Summary of the terms of reference on corporate governance are as follows:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of directors and senior management of the Company;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

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

5. to review the Company's compliance with the Code and disclosures in the corporate governance report of its annual reports.

During the year, the Board approved the Board diversity policy and the revised terms of reference of the Remuneration Committee.

The Board has also reviewed and discussed the corporate governance policy and practices of the Company and the Board discharged the abovesaid responsibilities or through delegation to the Audit Committee, Remuneration Committee and Nomination Committee during the year.

AUDIT COMMITTEE

The Company established the Audit Committee in 1998. The current members of the Audit Committee are:

Chong Cha Hwa, *Independent Non-executive Director, Chairman of the Audit Committee*
Chu Kang Nam, *Independent Non-executive Director*
Lin Xiang Min, *Independent Non-executive Director* (resigned on 31 January 2014)
Ngai Sai Chuen, *Independent Non-executive Director* (appointed on 1 March 2014)

The Audit Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Audit Committee is primarily responsible for the following duties:

1. to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

2. to review and monitor the external auditor's independence and objectively and the effectiveness of the audit process in accordance with applicable standard, to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

AUDIT COMMITTEE *(CONTINUED)*

3. to develop and implement policy on the engagement of an external auditor to supply non-audit services, to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

4. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;

5. regarding No. (4) above:

   i. to liaise with the Board and senior management of the Company and to meet, at least twice a year, with the Company's external auditors; and

   ii. to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, to give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

6. to review the Company's financial control, internal control and risk management systems;

7. to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

8. to consider major investigations findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

9. where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

10. to review the group's financial and accounting policies and practices;

11. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

12. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

13. to report to the Board on the matters set out in Appendix 14 of the Listing Rules "Corporate Governance Code and Corporate Governance Report";

14. to consider the major findings of internal investigations and management's response;

15. to consider other topics, as defined by the Board or handle the job assigned by the Board;

16. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

17. to act as the key representative body for overseeing the Company's relations with the external auditor.

AUDIT COMMITTEE *(CONTINUED)*

The Audit Committee met eight times during the year to review the Group's annual and interim financial statements, review the external auditor's plan for the audit of the Group's accounts, review the internal control procedures and the financial reporting systems of the Group and make recommendations with respect to the appointment and reappointment of the auditors of the Company.

Individual attendance of each member of the Audit Committee during the year ended 31 December 2013 is set out below:

Name of Members	**Number of Audit Committee Meetings Attended**
Chong Cha Hwa	8/8
Chu Kang Nam	8/8
Lin Xiang Min	8/8

The financial statements for the year ended 31 December 2013 have been reviewed by the Audit Committee.

AUDITORS' REMUNERATION

During the year ended 31 December 2013, the Group engaged ZHONGLEI (HK) CPA Company Limited, auditors of the Company, to perform audit services and non-audit services. The fees were as follows:

Nature of services	**Amount** *HK$'000*
Audit services in relation to annual results	1,430
Review of interim results	520
Others	21
	1,971

COMPANY SECRETARY

Ms. Leung Lai Ming ("Ms. Leung") was appointed as the company secretary of the Company on 16 July 2007. The biographical detail of Ms. Leung is set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

For purpose of the Rule 3.29 of the Listing Rules, Ms. Leung has taken no less than 15 hours of relevant professional training for the year ended 31 December 2013.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to the Bye-laws of the Company, an extraordinary general meeting of the Company ("EGM") can be convened by a written requisition signed by the shareholder(s) of the Company holding not less than one-tenth of the paid-up share capital of the Company carrying the right of voting at general meetings of the Company, stating the objects of the meeting, and deposited at the head office and principal place of business of the Company in Hong Kong at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong for the attention of the Board or the company secretary of the Board. Such meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting should be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, but any meeting so convened shall not be held after the expiration of three months from the said date.

Putting forward proposals at shareholders' meetings

The procedures for shareholder(s) to put forward proposals at EGM include a written notice of those proposals being submitted by the shareholder(s) of the Company, addressed to the Board or the company secretary of the Board at the head office and principal place of business of the Company in Hong Kong at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong.

The procedures for shareholders of the Company to propose a person for election as a director of the Company are available on the Company's website.

Enquiries to the Board

Shareholders of the Company may at any time send their enquiries and concerns to the Board in writing to the head office and principal place of business of the Company in Hong Kong at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

Information of the Group is delivered to the shareholders of the Company through a number of channels, which include annual reports, interim reports, announcements and circulars at the Company's website. The latest information of the Group together with the published documents are also available on the Company's website.

The general meeting of the Company provides a forum for communication between the Board and the shareholders of the Company. The Board members or their delegates are available to answer questions at the general meeting.

There had been no change in the Company's constitutional documents during the year ended 31 December 2013.

Shareholders of the Company should direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong, Union Registrars Limited, at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

Shareholders of the Company can mail other enquiries or comments to the head office and principal place of business of the Company in Hong Kong at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong or sent through email to enquiry@chinaminingresources.com.

INTERNAL CONTROLS

It is the policy of the Company to maintain a sound and effective internal control system to safeguard the shareholders' investment and the Group's assets. The directors of the Company have reviewed the effectiveness of the internal control system of the Group for the year ended 31 December 2013, which covered financial, operational and compliance controls and risk management functions of the Group.

The Board have reviewed the effectiveness of the Group's material internal controls and is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting functions are adequate and sufficient.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

The directors of the Company acknowledge that it is their responsibility to prepare the accounts for each financial period which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and any other rules and statutory requirements. The directors of the Company are responsible for ensuring that appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable; and the accounts are prepared on a going concern basis.

The responsibility of the external auditor of the Company is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by the external auditors of the Company about their reporting responsibility is set out under the section headed "Independent Auditor's Report" of this annual report.

On behalf of the Board
China Mining Resources Group Limited

Wang Hui
Executive Director

Hong Kong, 28 March 2014

The directors of the Company submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 47 to the consolidated financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 8 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 and the Group's affairs as at that date are set out in the consolidated financial statements on pages 38 to 129.

The directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2013.

RESERVES

Movement in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 42 of this annual report.

DONATION

Donations made for charitable purposes by the Group during the year amounted to HK$517,000 (2012: HK$321,000).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 38 to the consolidated financial statements.

CONTRIBUTED SURPLUS

The Group's contributed surplus represents the special reserve arising upon the reorganisation of the Group in March 1997.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than its liabilities.

Movement in the contributed surplus of the Group during the year is set out in the consolidated statement of changes in equity on page 42 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended 31 December 2013 are set out in note 17 to the consolidated financial statements.

DIRECTORS

The directors of the Company who were in office during the financial year and up to the date of this report were:

Executive Directors

You Xian Sheng *(Chairman)* (resigned on 31 January 2014)
Chen Shou Wu *(Deputy Chairman, Chief Executive Officer and Chief Investment Officer)* (resigned on 1 March 2014)
Wang Hui
Yeung Kwok Kuen *(Chief Financial Officer)* (resigned on 1 March 2014)
Fang Yi Quan

Independent Non-executive Directors

Chong Cha Hwa
Chu Kang Nam
Lin Xiang Min (resigned on 31 January 2014)
Ngai Sai Chuen (appointed on 1 March 2014)

Pursuant to Bye-law 86(2) of the Bye-laws of the Company, any director of the Company appointed by the board either to fill casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Thus, Mr. Ngai Sai Chuen who was appointed as director of the Company pursuant to Bye-law 86(2) of the Bye-laws of the Company shall retire at the forthcoming annual general meeting of the Company. Mr. Ngai Sai Chuen, being eligible, has offered himself for re-election as director of the Company.

In addition, pursuant to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Pursuant to Bye-law 87(2) of the Bye-laws of the Company, any director of the Company appointed pursuant to Bye-law 86(2) of the Bye-laws of the Company shall not be taken into account in determining which particular directors of the Company or the number of the directors of the Company who are to retire by rotation. Accordingly, Mr. Wang Hui and Mr. Fang Yi Quan will retire by rotation at the forthcoming annual general meeting of the Company. Each of Mr. Wang Hui and Mr. Fang Yi Quan being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2013, the interests and short positions of the directors and chief executives 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 Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company were as follows:

Interests in underlying shares of the Company — share options

Name	Number of share options	% of total issued ordinary shares of the Company
Directors		
You Xian Sheng	90,000,000	0.98%
Chen Shou Wu	90,000,000	0.98%
Wang Hui	50,000,000	0.55%
Yeung Kwok Kuen	75,000,000	0.82%
Fang Yi Quan	13,000,000	0.14%
Chong Cha Hwa	6,000,000	0.07%
Chu Kang Nam	6,000,000	0.07%
Lin Xiang Min	6,000,000	0.07%
Chief executives		
Yin Guangyuan	50,000,000	0.55%
Qiao Hongbo	12,000,000	0.13%
Qu Yanchun	12,000,000	0.13%

Save as disclosed above, as at 31 December 2013, none of the directors and chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 December 2013, persons (other than directors or chief executives of the Company as disclosed above) who had interests or short positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in shares of the Company

Name of Shareholders	Capacity	Class of shares of the Company	Number of shares held	% of total issued share capital of the relevant class of shares *(Note 1)*
Wong Chiu Fung	Interest in controlled corporation	Ordinary	1,633,334,286 *(Note 2)*	17.87%
	Interest in controlled corporation	Preference	476,190,000 *(Note 2)*	12.61%
Ho Ping Tanya	Beneficial owner	Preference	3,300,000,000 *(Note 3)*	87.39%

Notes:

1. The percentages are calculated based on the total number of ordinary shares and non-redeemable convertible preference shares (as appropriate) of the Company in issue as at 31 December 2013, which were 9,138,782,211 and 3,776,190,000 respectively.

2. These ordinary and non-redeemable convertible preference shares are held by Double Joy Enterprise Limited which is 100% beneficially owned by Mr. Wong Chiu Fung. Both ordinary and non-redeemable convertible preference shares were alloted and issued to Double Joy Enterprise Limited on 14 December 2010 pursuant to a sale and purchase agreement dated 2 October 2010 entered into among Famous Class Limited, a wholly-owned subsidiary of the Company, Ms. Ho Ping Tanya, Double Joy Enterprise Limited, Skypro Holdings Limited and Mr. Wong Chiu Fung in relation to the acquisition of an aggregate of 70 shares of Year Joy Investments Limited, representing 70% of the total issued share capital of Year Joy Investments Limited, by Famous Class Limited (the "Agreement").

3. The non-redeemable convertible preference shares were alloted and issued to Ms. Ho Ping Tanya on 14 December 2010 pursuant to the Agreement.

SHARE OPTION SCHEMES

Pursuant to ordinary resolutions of the shareholders of the Company passed on 26 June 2002, the Company adopted a share option scheme (the "Old Share Option Scheme"). The Old Share Option Scheme was terminated on 25 May 2012 such that no further options shall be granted under the Old Share Option Scheme but the options granted shall continue to be valid and exercisable in accordance with their terms of issue and, in all other respects, its provisions shall remain in full force and effect. Pursuant to ordinary resolutions of the shareholders of the Company passed on 25 May 2012, the Company adopted a new share option scheme (the "New Share Option Scheme").

SHARE OPTION SCHEMES *(CONTINUED)*

Particulars of the New Share Option Scheme are set out in note 42 to the consolidated financial statements.

Summary of main terms of the New Share Option Scheme are as follows:

1. The purpose of the New Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group.

2. The participants of the New Share Option Scheme are: (i) any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or advisers of or contractor to the Group or an entity in which any member of the Group holds any interest from time to time ("Invested Entity"); (ii) any discretionary trust who discretionary objects include any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and (iii) the option may be granted to any corporation wholly-owned by any person mentioned in (i).

3. As at 28 March 2014, the total number of ordinary shares of HK$0.10 each in the capital of the Company ("Shares") available for issue under the New Share Option Scheme was 913,878,221 (including 266,600,000 Shares that have been granted but not yet lapsed or exercised or cancelled) representing approximately 10% of the issued ordinary share capital of the Company.

4. Unless otherwise approved by shareholders of the Company in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme to each participant in any 12-month period must not exceed 1% (except for substantial shareholders, as defined in the Listing Rules, or independent non-executive director of the Company, or any of their respective associates, as defined in the Listing Rules, must not exceed 0.1%) of the issued ordinary share capital of the Company from time to time.

5. An option shall be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee, provided that no option shall be exercisable later than 10 years after its date of grant.

6. An option shall be accepted by a participant together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof within 30 days from the date of the offer of grant of the option.

7. The subscription price for Shares under the New Share Option Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Board, but shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the date of grant which must be a business day, (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.

8. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 25 May 2012.

SHARE OPTION SCHEMES *(CONTINUED)*

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the New Share Option Scheme for the year ended 31 December 2013 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options cancelled during the year	No. of shares acquired on exercise of options during the year	No. of options outstanding at the year end	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share option granted in 2013										
Directors										
Fang Yi Quan	28 March 2013	*(Note 1)*	–	3,000,000	–	–	3,000,000	HK$0.1084	HK$0.1084	–
Chong Cha Hwa	28 March 2013	*(Note 1)*	–	3,000,000	–	–	3,000,000	HK$0.1084	HK$0.1084	–
			–	6,000,000	–	–	6,000,000			
Directors										
You Xian Sheng	11 November 2013	*(Note 2)*	–	40,000,000	–	–	40,000,000	HK$0.1000	HK$0.1000	–
Chen Shou Wu	11 November 2013	*(Note 2)*	–	35,000,000	–	–	35,000,000	HK$0.1000	HK$0.1000	–
Wang Hui	11 November 2013	*(Note 2)*	–	35,000,000	–	–	35,000,000	HK$0.1000	HK$0.1000	–
Yeung Kwok Kuen	11 November 2013	*(Note 2)*	–	20,000,000	–	–	20,000,000	HK$0.1000	HK$0.1000	–
Fang Yi Quan	11 November 2013	*(Note 2)*	–	10,000,000	–	–	10,000,000	HK$0.1000	HK$0.1000	–
Chong Cha Hwa	11 November 2013	*(Note 2)*	–	3,000,000	–	–	3,000,000	HK$0.1000	HK$0.1000	–
Chu Kang Nam	11 November 2013	*(Note 2)*	–	3,000,000	–	–	3,000,000	HK$0.1000	HK$0.1000	–
Lin Xiang Min	11 November 2013	*(Note 2)*	–	3,000,000	–	–	3,000,000	HK$0.1000	HK$0.1000	–
			–				149,000,000			
Chief executives										
Yin Guangyuan	11 November 2013	*(Note 2)*	–	35,000,000	–	–	35,000,000	HK$0.1000	HK$0.1000	–
Qiao Hongbo	11 November 2013	*(Note 2)*	–	10,000,000	–	–	10,000,000	HK$0.1000	HK$0.1000	–
Qu Yanchun	11 November 2013	*(Note 2)*	–	10,000,000	–	–	10,000,000	HK$0.1000	HK$0.1000	–
			–				55,000,000			
Employee	11 November 2013	*(Note 2)*	–	26,600,000	–	–	26,600,000	HK$0.1000	HK$0.1000	–
Other *(Note 6)*	11 November 2013	*(Note 2)*	–	30,000,000	–	–	30,000,000	HK$0.1000	HK$0.1000	–
			–	260,600,000	–	–	260,600,000			
			–	266,600,000	–	–	266,600,000			

SHARE OPTION SCHEMES *(CONTINUED)*

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the Old Share Option Scheme for the year ended 31 December 2013 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options cancelled during the year	No. of options lapsed during the year	No. of shares acquired on exercise of options during the year	No. of options outstanding at the year end	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share option granted in 2008											
Directors											
You Xian Sheng	14 October 2008	*(Note 3)*	40,000,000	–	–	(40,000,000)	–	–	HK$0.275	HK$0.275	–
Chen Shou Wu	14 October 2008	*(Note 3)*	35,000,000	–	–	(35,000,000)	–	–	HK$0.275	HK$0.275	–
Wang Hui	14 October 2008	*(Note 3)*	35,000,000	–	–	(35,000,000)	–	–	HK$0.275	HK$0.275	–
Yeung Kwok Kuen	14 October 2008	*(Note 3)*	35,000,000	–	–	(35,000,000)	–	–	HK$0.275	HK$0.275	–
Chu Kang Nam	14 October 2008	*(Note 3)*	3,000,000	–	–	(3,000,000)	–	–	HK$0.275	HK$0.275	–
Lin Xiang Min	14 October 2008	*(Note 3)*	3,000,000	–	–	(3,000,000)	–	–	HK$0.275	HK$0.275	–
			151,000,000					–			
Chief executives											
Yin Guangyuan	14 October 2008	*(Note 3)*	35,000,000	–	–	(35,000,000)	–	–	HK$0.275	HK$0.275	–
Qiao Hongbo	14 October 2008	*(Note 3)*	10,000,000	–	–	(10,000,000)	–	–	HK$0.275	HK$0.275	–
Qu Yanchun	14 October 2008	*(Note 3)*	10,000,000	–	–	(10,000,000)	–	–	HK$0.275	HK$0.275	–
			55,000,000					–			
Employee	14 October 2008	*(Note 3)*	26,600,000	–	–	(26,600,000)	–	–	HK$0.275	HK$0.275	–
Former directors *(Note 7)*	14 October 2008	*(Note 3)*	9,000,000	–	–	(9,000,000)	–	–	HK$0.275	HK$0.275	–
Others *(Note 8)*	14 October 2008	*(Note 3)*	50,000,000	–	–	(50,000,000)	–	–	HK$0.275	HK$0.275	–
			291,600,000	–	–	(291,600,000)	–	–			

SHARE OPTION SCHEMES *(CONTINUED)*

Name	Date granted	Period during which options are exercisable	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options cancelled during the year	No. of shares acquired on exercise of options during the year	No. of options outstanding at the year end	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share option granted in 2010										
Directors										
You Xian Sheng	29 June 2010	*(Note 4)*	20,000,000	–	–	–	20,000,000	HK$0.208	HK$0.208	–
Chen Shou Wu	29 June 2010	*(Note 4)*	25,000,000	–	–	–	25,000,000	HK$0.208	HK$0.208	–
Wang Hui	29 June 2010	*(Note 4)*	5,000,000	–	–	–	5,000,000	HK$0.208	HK$0.208	–
Yeung Kwok Kuen	29 June 2010	*(Note 4)*	25,000,000	–	–	–	25,000,000	HK$0.208	HK$0.208	–
Chu Kang Nam	29 June 2010	*(Note 4)*	2,000,000	–	–	–	2,000,000	HK$0.208	HK$0.208	–
Lin Xiang Min	29 June 2010	*(Note 4)*	2,000,000	–	–	–	2,000,000	HK$0.208	HK$0.208	–
			79,000,000				79,000,000			
Chief executives										
Yin Guangyuan	29 June 2010	*(Note 4)*	5,000,000	–	–	–	5,000,000	HK$0.208	HK$0.208	–
Qiao Hongbo	29 June 2010	*(Note 4)*	2,000,000	–	–	–	2,000,000	HK$0.208	HK$0.208	–
Qu Yanchun	29 June 2010	*(Note 4)*	2,000,000	–	–	–	2,000,000	HK$0.208	HK$0.208	–
			9,000,000				9,000,000			
Employee	29 June 2010	*(Note 4)*	33,400,000	–	–	–	33,400,000	HK$0.208	HK$0.208	–
Former directors *(Note 9)*	29 June 2010	*(Note 4)*	6,000,000	–	–	–	6,000,000	HK$0.208	HK$0.208	–
			127,400,000	–	–	–	127,400,000			

SHARE OPTION SCHEMES *(CONTINUED)*

Name	Date granted	Period during which options are exercisable	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options cancelled during the year	No. of shares acquired on exercise of options during the year	No. of options outstanding at the year end	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share option granted in 2011										
Directors										
You Xian Sheng	30 August 2011	*(Note 5)*	30,000,000	–	–	–	30,000,000	HK$0.161	HK$0.161	–
Chen Shou Wu	30 August 2011	*(Note 5)*	30,000,000	–	–	–	30,000,000	HK$0.161	HK$0.161	–
Wang Hui	30 August 2011	*(Note 5)*	10,000,000	–	–	–	10,000,000	HK$0.161	HK$0.161	–
Yeung Kwok Kuen	30 August 2011	*(Note 5)*	30,000,000	–	–	–	30,000,000	HK$0.161	HK$0.161	–
Chu Kang Nam	30 August 2011	*(Note 5)*	1,000,000	–	–	–	1,000,000	HK$0.161	HK$0.161	–
Lin Xiang Min	30 August 2011	*(Note 5)*	1,000,000	–	–	–	1,000,000	HK$0.161	HK$0.161	–
			102,000,000				102,000,000			
Chief executive										
Yin Guangyuan	30 August 2011	*(Note 5)*	10,000,000	–	–	–	10,000,000	HK$0.161	HK$0.161	–
Employee	30 August 2011	*(Note 5)*	44,300,000	–	–	–	44,300,000	HK$0.161	HK$0.161	–
Former directors *(Note 10)*	30 August 2011	*(Note 5)*	3,000,000	–	–	–	3,000,000	HK$0.161	HK$0.161	–
Others *(Note 11)*	30 August 2011	*(Note 5)*	210,000,000	–	–	–	210,000,000	HK$0.161	HK$0.161	–
			369,300,000	–	–	–	369,300,000			

The options granted to the directors and the chief executives of the Company are registered under the names of the directors and the chief executives of the Company who are also the beneficial owners.

* Being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

Notes:

1. Exercisable from 28 March 2013 to 27 March 2018.
2. Exercisable from 11 November 2013 to 10 November 2018.
3. Exercisable from 14 October 2008 to 13 October 2013.
4. Exercisable from 29 June 2010 to 28 June 2015.
5. Exercisable from 30 August 2011 to 29 August 2016.
6. 30,000,000 share options were granted to a consulting company of the Group.
7. (i) 3,000,000 share options was granted to Mr. Lam Ming Yung on 14 October 2008 and Mr. Lam Ming Yung was resigned as a director of the Company on 29 December 2011.

   (ii) 3,000,000 share options was granted to Mr. Chan Sze Hon on 14 October 2008 and Mr. Chan Sze Hon was resigned as a director of the Company on 23 November 2011.

   (iii) 3,000,000 share options was granted to Mr. Goh Choo Hwee on 14 October 2008 and Mr. Goh Choo Hwee was resigned as a director of the Company on 23 November 2011.

SHARE OPTION SCHEMES *(CONTINUED)*

Notes: (CONTINUED)

8. 50,000,000 share options were granted to a chief adviser of the Company and a consulting company of the Group.

9. (i) 2,000,000 share options was granted to Mr. Lam Ming Yung on 29 June 2010 and Mr. Lam Ming Yung was resigned as a director of the Company on 29 December 2011.

   (ii) 2,000,000 share options was granted to Mr. Chan Sze Hon on 29 June 2010 and Mr. Chan Sze Hon was resigned as a director of the Company on 23 November 2011.

   (iii) 2,000,000 share options was granted to Mr. Goh Choo Hwee on 29 June 2010 and Mr. Goh Choo Hwee was resigned as a director of the Company on 23 November 2011.

10. (i) 1,000,000 share options was granted to Mr. Lam Ming Yung on 30 August 2011 and Mr. Lam Ming Yung was resigned as a director of the Company on 29 December 2011.

    (ii) 1,000,000 share options was granted to Mr. Chan Sze Hon on 30 August 2011 and Mr. Chan Sze Hon was resigned as a director of the Company on 23 November 2011.

    (iii) 1,000,000 share options was granted to Mr. Goh Choo Hwee on 30 August 2011 and Mr. Goh Choo Hwee was resigned as a director of the Company on 23 November 2011.

11. 210,000,000 share options were granted to the consultancy companies of the Group.

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 5 and 42 to the consolidated financial statements respectively.

Apart from the foregoing, at no time during the year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 December 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

CONNECTED TRANSACTION

None of the "Related party transactions" as disclosed in note 45 to the financial statements for the year ended 31 December 2013 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

To the extent of the above "Related party transactions" constituted connected transaction as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	32%	
Five largest customers in aggregate	49%	
The largest supplier		7%
Five largest suppliers in aggregate		16%

At no time during the year have the directors of the Company, their associates or any shareholders of the Company (which to the knowledge of the directors of the Company owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

COMPETING INTEREST

None of the directors of the Company or their respective associates had any interest in a business which competes with or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their respective shareholdings in the Company if new shares of the Company are issued.

SUFFICIENCY OF PUBLIC FLOAT

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2013 are set out in notes 31 and 32 to the consolidated financial statements.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 130 of this annual report.

RETIREMENT SCHEMES

Details of the retirement benefit schemes operated by the Group are set out in note 41 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

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

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out under the section headed "Corporate Governance Report" of this annual report.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2013 have been audited by ZHONGLEI (HK) CPA Company Limited ("ZHONGLEI"). ZHONGLEI were appointed as auditors of the Company on 10 February 2012 for the financial year ended 31 December 2011 upon the resignation of Deloitte Touche Tohmatsu, who have acted as auditors of the Company for the preceding three financial years.

ZHONGLEI will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of ZHONGLEI as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board
China Mining Resources Group Limited

Wang Hui
Executive Director

Hong Kong, 28 March 2014

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

TO THE SHAREHOLDERS OF
CHINA MINING RESOURCES GROUP LIMITED
中國礦業資源集團有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Mining Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 129, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 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 disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that as at 31 December 2013, the Group incurred loss of approximately HK$344,900,000 during the financial year ended 31 December 2013 and, as of that date, the Group's current liabilities exceed its current assets by HK$21,594,000. The Group's ability to continue as a going concern is highly dependent on the ongoing availability of finance to the Group, including from the substantial shareholder of the Company. If the finance is not available or sufficient, the Group would be unable to meet its obligations as and when they fall due. This condition along with other matters set forth in Note 2 to the consolidated financial statements indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)

Chan Mei Mei
Practising Certificate Number: P05256
Suites 313-316, 3/F., Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

28 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	7	**186,585**	221,646
Cost of sales		**(135,948)**	(126,623)
Gross profit		**50,637**	95,023
Other income	9	**12,081**	12,658
Other gains and losses	10	**12,712**	32,017
Selling and distribution expenses		**(58,346)**	(57,121)
Administrative expenses		**(89,733)**	(85,771)
Finance costs	11	**(27,404)**	(23,206)
Impairment loss recognised in respect of goodwill	20	**(88,295)**	—
Impairment loss recognised in respect of short-term loan and loan interest receivables	28	**(15,357)**	—
Impairment loss recognised in respect of available-for-sale investments	24	**(24,998)**	(57,913)
Impairment loss recognised in respect of inventories		**(1,318)**	(13,018)
Impairment loss recognised in respect of property, plant and equipment	17	**(61,184)**	(16,832)
Impairment loss recognised in respect of other intangible assets	21	**(59,860)**	(7,874)
Loss before tax		**(351,065)**	(122,037)
Income tax credit	12	**6,165**	1,804
Loss for the year	13	**(344,900)**	(120,233)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Actuarial gain (loss) on defined benefit pension plans		**5,039**	(4,109)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statement of foreign operations		**7,130**	12,925
Fair value gain (loss) on available-for-sale investments	24	**1,530**	(39,819)
		8,660	(26,894)
Other comprehensive income (expense) for the year, net of income tax		**13,699**	(31,003)
Total comprehensive expense for the year		**(331,201)**	(151,236)

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 attributable to:			
Owners of the Company		**(311,048)**	(110,858)
Non-controlling interests		**(33,852)**	(9,375)
Loss for the year		**(344,900)**	(120,233)
Total comprehensive expense attributable to:			
Owners of the Company		**(299,967)**	(143,892)
Non-controlling interests		**(31,234)**	(7,344)
		(331,201)	(151,236)
Loss per share	16		
Basic (HK cents)		**(3.40) cents**	(1.21) cents
Diluted (HK cents)		**(3.40) cents**	(1.21) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	17	**93,623**	119,237
Prepaid lease payments — non-current portion	18	**31,174**	31,104
Exploration and evaluation assets	19	**—**	—
Goodwill	20	**—**	88,295
Other intangible assets	21	**100,226**	154,017
Biological assets	22	**10,219**	8,043
Available-for-sale investments	24	**69,819**	128,149
Other non-current financial assets	25	**7,610**	—
		312,671	528,845
Current assets			
Inventories	26	**174,514**	172,731
Trade and other receivables	27	**135,311**	160,757
Prepaid lease payments	18	**549**	532
Short-term loan and loan interest receivables	28	**—**	17,084
Bank balances and cash	29	**118,555**	117,073
		428,929	468,177
Current liabilities			
Trade and other payables	30	**271,787**	281,887
Tax liabilities		**56,943**	59,543
Bank borrowings	31	**107,806**	67,496
Other borrowings	32	**2,357**	1,754
Provisions	33	**11,630**	5,924
		450,523	416,604
Net current (liabilities) assets		**(21,594)**	51,573
Total assets less current liabilities		**291,077**	580,418

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Deferred income	34	**107,487**	61,533
Other borrowings — non-current portion	32	**4,353**	4,738
Provisions — non-current portion	33	**76,031**	73,746
Deferred tax liabilities	35	**—**	6,156
Other long-term payables	36	**42,061**	53,912
Non-redeemable convertible preference shares	37	**53,125**	52,702
		283,057	252,787
Net Assets		**8,020**	327,631
Capital and reserves			
Share capital	38	**913,878**	913,878
Share premium and reserves		**(1,062,762)**	(774,165)
Equity attributable to owners of the Company		**(148,884)**	139,713
Non-controlling interests		**156,904**	187,918
Total Equity		**8,020**	327,631

The consolidated financial statements on pages 38 to 129 were approved and authorised for issue by the Board of Directors on 28 March 2014 and are signed on its behalf by:

Wang Hui
Director

Fang Yi Quan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company												
	Share capital HK$'000 (Note 38)	Share premium HK$'000	Non-redeemable convertible preference shares HK$'000 (Note 37)	Statutory surplus reserve HK$'000 (Note a)	Capital and other reserves HK$'000 (Note b)	Share options reserve HK$'000 (Note 42)	Investment revaluation reserve HK$'000 (Note 24)	Translation reserve HK$'000	Actuarial reserve HK$'000 (Note 33)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	913,878	3,192,267	684,321	105,086	62,704	75,839	39,819	257,100	(7,169)	(5,039,808)	284,037	194,830	478,867
Loss for the year	–	–	–	–	–	–	–	–	–	(110,858)	(110,858)	(9,375)	(120,233)
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	–	–	9,882	–	–	9,882	3,043	12,925
Fair value loss on available-for-sale investments	–	–	–	–	–	–	(39,819)	–	–	–	(39,819)	–	(39,819)
Actuarial loss on defined benefit pension plans	–	–	–	–	–	–	–	–	(3,097)	–	(3,097)	(1,012)	(4,109)
Other comprehensive (expense) income for the year	–	–	–	–	–	–	(39,819)	9,882	(3,097)	–	(33,034)	2,031	(31,003)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(39,819)	9,882	(3,097)	(110,858)	(143,892)	(7,344)	(151,236)
Transfer	–	–	–	–	1,307	–	–	–	–	(1,739)	(432)	432	–
At 31 December 2012	913,878	3,192,267	684,321	105,086	64,011	75,839	–	266,982	(10,266)	(5,152,405)	139,713	187,918	327,631
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(311,048)**	**(311,048)**	**(33,852)**	**(344,900)**
Exchange difference arising on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,768**	**–**	**–**	**5,768**	**1,362**	**7,130**
Fair value gain on available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**–**	**1,530**	**–**	**–**	**–**	**1,530**	**–**	**1,530**
Actuarial gain on defined benefit pension plans	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,783**	**–**	**3,783**	**1,256**	**5,039**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,530**	**5,768**	**3,783**	**–**	**11,081**	**2,618**	**13,699**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,530**	**5,768**	**3,783**	**(311,048)**	**(299,967)**	**(31,234)**	**(331,201)**
Grant of share options	**–**	**–**	**–**	**–**	**–**	**11,590**	**–**	**–**	**–**	**–**	**11,590**	**–**	**11,590**
Lapsed of share options	**–**	**–**	**–**	**–**	**–**	**(33,372)**	**–**	**–**	**–**	**33,372**	**–**	**–**	**–**
Transfer	**–**	**–**	**–**	**–**	**665**	**–**	**–**	**–**	**–**	**(885)**	**(220)**	**220**	**–**
At 31 December 2013	**913,878**	**3,192,267**	**684,321**	**105,086**	**64,676**	**54,057**	**1,530**	**272,750**	**(6,483)**	**(5,430,966)**	**(148,884)**	**156,904**	**8,020**

Notes:

(a) Statutory surplus reserve

According to the relevant rules and regulations in the People's Republic of China ("PRC"), subsidiaries of China Mining Resources Group Limited (the "Company") (together with the subsidiaries collectively referred to as the "Group") established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory surplus reserve can be used to set-off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

(b) Capital and other reserves

Pursuant to regulations <安全生產費用提取和使用管理辦法> issued on 14 February 2012 in the PRC relating to the mining industry, the Group is required to transfer an amount to the capital and other reserves. The amount is calculated based on the volume of ores excavated each year and at the applicable rate per tonne of ores ("Appropriation for Mining Company"). The utilisation of the amount in the capital and other reserves will be used on modification and maintenance of safety equipment in accordance with the rules in the PRC Company Law which is not available for distribution to shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 *HK$'000*	2012 *HK$'000*
OPERATING ACTIVITIES		
Loss before tax	**(351,065)**	(122,037)
Adjustments for:		
Interest income	**(7,212)**	(5,957)
Interest expenses	**27,404**	23,206
Depreciation of property, plant and equipment	**15,827**	14,379
Amortisation of prepaid lease payments	**1,017**	1,848
Amortisation of other intangible assets	**1,377**	2,854
Impairment loss recognised in respect of short-term loan and loan interest receivables	**15,357**	—
Waiver of other payables	**(3,150)**	—
(Gain) loss on changes in fair value less costs-to-sell for biological assets	**(2,389)**	4,063
(Gain) loss on disposal of property, plant and equipment	**(12,172)**	5,411
Impairment loss recognised in respect of available-for-sale investments	**24,998**	57,913
Gain on changes of estimation on land reclamation and cavity refill cost	**—**	(41,121)
Equity-settled share-based payment expenses	**11,590**	—
Government grants	**(4,607)**	(5,264)
Impairment loss recognised in respect of goodwill	**88,295**	—
Impairment loss recognised in respect of trade and other receivables	**6,066**	6,597
Impairment loss recognised in respect of other intangible assets	**59,860**	7,874
Impairment loss recognised in respect of property, plant and equipment	**61,184**	16,832
Impairment loss recognised in respect of inventories	**1,318**	13,018
Written-off of inventories	**—**	5,337
Reversal of impairment loss in respect of trade and other receivables	**(1,373)**	(5,867)
Operating cash flows before movements in working capital	**(67,675)**	(20,914)
Increase in inventories	**(2,599)**	(17,383)
Decrease (increase) in trade and other receivables	**16,948**	(26,453)
(Decrease) increase in trade and other payables	**(18,937)**	20,736
Increase in provisions	**4,574**	6,010
Cash used in operations	**(67,689)**	(38,004)
Income tax paid	**(3,992)**	(3,653)
NET CASH USED IN OPERATING ACTIVITIES	**(71,681)**	(41,657)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(45,163)**	(44,493)
Purchases of other intangible assets	**(159)**	(288)
Other long-term advance	**(3,805)**	—
Return on capital in respect of available-for-sale investments	**22,248**	—
Receipts regarding short-term loan and loan interest receivable	**2,065**	—
Interest received	**6,399**	5,103
Utilisation of provisions	**(1,954)**	(771)
Government grants received	**42,108**	4,569
Proceeds from disposal of property, plant and equipment	**5,227**	19,249
NET CASH FROM (USED) IN INVESTING ACTIVITIES	**26,966**	(16,631)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(125,562)**	(78,140)
New bank borrowings raised	**163,611**	112,714
Interest paid	**(14,600)**	(12,650)
NET CASH FROM FINANCING ACTIVITIES	**23,449**	21,924
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(21,266)**	(36,364)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**117,073**	152,829
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**22,748**	608
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**118,555**	117,073

1. GENERAL

China Mining Resources Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" of the annual report.

The functional currency of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the investors as its shares are listed on the Stock Exchange.

The Company is an investment holding company and the principal activities of its subsidiaries are set out in Note 47 to the consolidated financial statements. The Group was engaged in mining, processing and sales of molybdenum, sales of tea products and online video broadcasting.

2. BASIS OF PREPARATION

The Group had incurred loss of approximately HK$344,900,000 for the year ended 31 December 2013 and net current liabilities of approximately HK$21,594,000 as at 31 December 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, these consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to generate sufficient working capital and the Group could obtain loan financing from financial institution and seek prospective investors, at a level sufficient to finance the working capital requirements of the Group. The directors of the Company (the "Directors") are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

In preparing the consolidated financial statements, the management has given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of HK$344,900,000 during the financial year ended 31 December 2013 and, as of that date, the Group's current liabilities exceed its current assets by HK$21,594,000.

In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the management has taken and/or will take the following measures:

(a) The management has taken various cost control measures to tighten the costs of operations and reduce various general and administrative expenses;

(b) The Group has been implementing various sales and marketing strategies to reduce the losses of the Group;

(c) As explained in Note 49(a) to the consolidated financial statements, in January 2014, the Group obtained new bank loans of RMB20,000,000 by Wuyi Star Tea Industrial Co., Ltd. ("Wuyi Star"); and

2. BASIS OF PREPARATION *(CONTINUED)*

(d) As explained in Note 49(b) to the consolidated financial statements, on 27 March 2014, one of the substantial shareholders of the Company (the "Substantial Shareholder"), who beneficially own 1,633,334,286 ordinary issued shares of the Company, representing 17.87% of the total issued ordinary share capital of the Company (the "Shares") on 27 March 2014, entered into the deed of undertaking (the "Deed of Undertaking") and agreed 1) to provide financial support to the Company until the Company has sufficient funds to meet its operations and to pay financial obligations as they fall due for the period from 27 March 2014 to 31 March 2015; 2) to use the Shares and/or converting the Shares to procure loan facilities which will make available to the Company in meeting the Company's operation requirements; and 3) not to pledge and/or dispose of the Shares to any other parties other than the purpose as stated in item 2 above for the period from 27 March 2014 to 31 March 2015.

The Directors are of the opinion that, taking into account the above (c) to (d) measures, the Group will have sufficient working capital to finance its operations and to pay financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs")

Application of new and revised HKFRSs and HKASs

The Group has applied the following new and revised HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

* *IFRIC represents the International Financial Reporting Interpretations Committee*

Except as described below, the application of the new and revised HKFRSs and HKASs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(CONTINUED)*

New and revised HKFRSs adopted by and relevant to the Group

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impacts of the application of these standards that are relevant to the Company are as follows:

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts 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.

The Directors made an assessment as at the date of initial application of HKFRS 10 as to whether or not the Group has control over the investees in accordance with the new definition of control and the related guidance set out in HKFRS 10, and concluded that the application of HKFRS 10 does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(CONTINUED)*

New and revised HKFRSs adopted by and relevant to the Group *(CONTINUED)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". 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. Furthermore, 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.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, 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.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, 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. Disclosures of fair value information are set out in Note 44(c) to the consolidated financial statement.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(CONTINUED)*

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs and HKASs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKAS 19	Defined Benefits Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) — Int 21	Leives[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.
3 Available for application – the mandatory effective will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

Annual Improvements to HKFRSs 2010–2012 Cycle

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below:

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(CONTINUED)*

New and revised HKFRSs in issue but not yet effective *(CONTINUED)*

Annual Improvements to HKFRSs 2010–2012 Cycle *(CONTINUED)*

The amendments to HKFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segment, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment loss.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements* to *HKFRSs 2011-2013 Cycle* will have a material effect on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(CONTINUED)*

New and revised HKFRSs in issue but not yet effective *(CONTINUED)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

— HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

— With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transaction eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(CONTINUED)*

New and revised HKFRSs in issue but not yet effective *(CONTINUED)*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

— obtain funds from one or more investors for the purpose of providing them with professional investment management services;

— commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

— measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments will have no material effect on the Group as the Company is not an investment entity.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(CONTINUED)*

New and revised HKFRSs in issue but not yet effective *(CONTINUED)*

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The Directors do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirements to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Directors do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The Directors do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK(IFRIC) — Int 21 Levies

HK(IFRIC) — Int 21 *Levies* addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligation event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The Directors do not anticipate that the application of HK(IFRIC) — Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

Except as described above, the application of the other new or revised HKFRSs and HKASs in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

4. CHANGES ON ACCOUNTING ESTIMATES

Provisions for land reclamation and cavity refill costs

The provisions for land reclamation and cavity refill costs have been determined by the Directors based on their best estimates. The Directors estimated this liability for land reclamation and cavity refill based upon detailed calculations of the amount and timing of future cash flows spending on the land reclamation and cavity refill, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the costs expected to be required to settle the obligation. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term. The provision is reviewed regularly to verify that it properly reflects the present value of the obligation arising from the current and past mining activities. Where the actual liabilities are differ from the original estimates, adjustment will be made and recognised in the period in which such event takes places.

During the year ended 31 December 2012, in view of the applicable certain circumstance and the historical payment records for the relevant costs, the Directors are of the opinion that 1) the area of land actually required for reclamation and refill should be smaller when compared with the first date of determination; 2) the material costs and labour costs in relation to the land reclamation and cavity refill work would be decreased when compared with the original estimation, they have therefore revised their estimation on i) discount rate that reflects current market assessments of the time value of money and the risks specific to the liability from 8.34% to 5.02%; and ii) the remaining future cash flows spending on the land reclamation and cavity refill from approximately HK$95,755,000 (equivalent to approximately RMB76,471,000) to approximately HK$57,295,000 (equivalent to approximately RMB46,687,000) which is expected to be incurred after 2012.

As a result, gain on changes of estimation on land reclamation and cavity refill cost for the year ended 31 December 2012 amounting to approximately HK$41,121,000. The movement of provisions for land reclamation and cavity refill costs during the year is set out in Note 33 to the consolidated financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described 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; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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.

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 subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liability of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see accounting policy below); and

- 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* are measured in accordance with that standard.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations *(CONTINUED)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, where applicable, on the basis specified in another HKFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as the acquisition date that, if known, would have affected the amounts recognised as that date.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment loss, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit and loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Revenue recognition

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

Revenue from sale of goods is recognised when the goods are delivered and title have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flows to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

5. SUMMARY OF 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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recogrised as an expense in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 the respective 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 the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. 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 exchange differences arising on the retranslation of non-monetary items in respect of which gain and loss are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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 Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposal (i.e. partial disposal of associates or jointly arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 borrowings costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or loss already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs and termination benefits

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gain and loss, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gain and loss on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Retirement benefit costs and termination benefits *(CONTINUED)*

The Group presents the first two components of defined benefit costs in profit or loss in the line item administrative expense. Curtailment gain and loss are accounted for as past service cost.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Share-based payment transactions

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 options reserve).

When the share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to accumulated loss.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expense, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or service qualify for recognition as assets.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income 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 temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment loss, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and deprecation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised accumulated impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Biological assets

Biological assets are plants managed by the Group which is involved in the agricultural activities of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. Biological assets are measured at fair value less estimated point-of-sale costs at initial recognition and at each reporting date. The fair value of biological assets is determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate or the market price with reference to the species, growing condition, costs incurred and expected yield of the crops.

The agricultural produce is initially measured at fair value less estimated point-of-sale costs at the time of harvest. The fair value of agricultural produce is measured at the market prices in the local market. The fair value less estimated point-of-sale costs at the time of harvest is deemed as the cost of agricultural produce for further processing.

The gain or loss arising on initial recognition of biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs is recognised in profit or loss for the financial year in which it arises.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately carried at cost less any subsequent accumulated impairment loss (see the accounting policy in respect of impairment loss on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment loss as follows:

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and accumulated impairment loss. The mining rights are amortised using the units of production method based on the proven and probable mineral reserves.

(ii) Exploration rights

Exploration rights are stated at cost less accumulated amortisation and accumulated impairment loss. The exploration rights are amortised on a straight-line basis over the respective periods of the rights. During the exploration and evaluation period, the amortisation charge is included as part of cost of exploration and evaluation assets.

Alternatively, intangible assets with indefinite useful lives, comprise of brand name, are carried at cost less any subsequent accumulated impairment loss (see accounting policy in respect of impairment loss on tangible and intangible assets below).

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment loss. Exploration and evaluation assets include the amortisation of exploration rights and the expenditure incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either intangible assets or property, plant and equipment. These assets are assessed for impairment before reclassification.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Exploration and evaluation assets *(CONTINUED)*

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 *Impairment of Assets* (“HKAS 36”) whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; or
- Substantive expenditure incurred on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; or
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Provisions *(CONTINUED)*

Provisions for land reclamation and cavity refill costs are based on estimates of required expenditure on the mines in accordance with rules and regulations in the PRC. The Group estimates its liabilities for land reclamation and cavity refill based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. Provisions for land reclamation and cavity refill costs are recognised in profit or loss in the period in which the obligation is identified.

Provisions for cost of residence to employees and their families are based on estimates of required expenditures to maintain the basic utilities supply to residential areas of employees and their families. The Group estimates its liabilities based on future cash expenditure, escalated for inflation, then discounted at a discount rate that reflects current market assessment of the time value of money and the risks specific to the liabilities such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. Provisions for land reclamation and refill costs are recognised in profit or loss in the period in which the obligation is identified.

Financial instruments

Financial assets and financial liabilities are recognised in 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 at fair value through profit or loss ("FVTPL")) 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 at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into three categories, including financial assets at FVTPL, loans and receivables and available-for-sales financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in net gain or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(CONTINUED)*

Financial assets *(CONTINUED)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is either held-for-trading or it is designated as at FVTPL.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instrument: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains or losses" line item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, other non-current financial assets, short-term loan and loan interest receivables, bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

5. SUMMARY OF 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 (a) financial assets at FVTPL; (b) loans and receivables; or (c) held-to-maturity investments. The Group designated listed equity securities as available-for-sale financial assets on initial recognition of those items.

Equity and debt securities held by the Group that are classified as available-for-sale and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, 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 and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(CONTINUED)*

Financial assets *(CONTINUED)*

Impairment loss of financial assets *(CONTINUED)*

For financial assets carried at cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other 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 and other receivable is considered uncollectable, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gain or loss previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Impairment loss on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net direct issued costs.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(CONTINUED)*

Financial liabilities and equity instruments *(CONTINUED)*

Other financial liabilities

Other financial liabilities (including trade and other payables, bank borrowings, other borrowings and other long-term payables) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Non-redeemable convertible preference shares contains liability and equity components

Non-redeemable convertible preference shares issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

Non-redeemable convertible preference shares are classified as a liability if interest payments are not discretionary. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the non-redeemable preference shares and the fair value assigned to the liability component, representing the conversion option for the holder to convert the shares into equity, is included in equity (non-redeemable convertible preference shares).

In subsequent periods, the liability component of the non-redeemable convertible preference shares are carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in equity until the conversion options are exercised and will be transferred to share capital and share premium of the Company.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(CONTINUED)*

Financial liabilities and equity instruments *(CONTINUED)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in the profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment loss on tangible and intangible assets (excluding exploration and evaluation assets) other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment loss on tangible and intangible assets (excluding exploration and evaluation assets) other than goodwill (see the accounting policy in respect of goodwill above) *(CONTINUED)*

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 5, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

(a) Valuation of biological assets

The Group's management determines the fair values less costs-to-sell of biological assets on initial recognition and at the end of each reporting period with reference to the market-determined prices, cultivation area, species, growing conditions, costs incurred and expected yield of the tea tree and/ or the professional valuation. The fair value measurement of the Group's biological assets utilises market observable inputs and data as as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy").

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The details of the valuation model of the biological assets are set out in Note 22 to the consolidated financial statements.

(b) Going concern and liquidity

As explained in Note 2, the Group had incurred loss of approximately HK$344,900,000 for the year ended 31 December 2013 and net current liabilities of approximately HK$21,594,000 as at 31 December 2013. The consolidated statement of financial position of the Group indicates the existence of a material uncertainty which may raise significant doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgment by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has ability to continue as a going concern and the major conditions that may cast significant doubt about the going concern assumptions are set out in Note 2 to the consolidated financial statements.

Key sources of estimation uncertainty

Other than the provision for land reclamation and cavity refill cost as explained in Note 4, the following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Estimated impairment of goodwill

In impairment testing, the Group determines the recoverable amount of the cash-generating units ("CGUs") to which goodwill has been allocated. Determining whether impairment needs to be provided requires an estimation of the value-in-use of the CGUs. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation for goodwill are disclosed in Note 23 to the consolidated financial statements.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

(b) Impairment of other intangible assets, property, plant and equipment

The carrying amounts of other intangible assets and property, plant and equipment are reviewed annually and adjusted for impairment in accordance with HKAS 36 whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group determines the recoverable amount of the assets based on the estimations of future expected cash flows from the usage of these assets and a suitable discount rate. Where the future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation for other intangible assets and property, plant and equipment are disclosed in Notes 23 and 17 to the consolidated financial statements respectively.

(c) Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit loss that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The movement of allowance for doubtful debts for trade and other receivables during the year is set out in Note 27 to the consolidated financial statements.

(d) Provisions for post-employment benefits

The provisions for post-employment benefits have been determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of the reporting period. Various actuarial assumptions are utilised in valuation including, without limitation, the selection of discount rate and employees' turnover rate. The discount rate is based on management's review of local high quality corporate bonds. The employees' turnover rate is based on historical trends of the Group. Where the actual rates are differing from assumed, a material difference on provision may arise. The movement of provision for post-employment benefits during the year is set out in Note 33 to the consolidated financial statements.

7. REVENUE

Revenue represents turnover arising on sale of tea products, molybdenum and service income of online video business for the year. An analysis of the Group's revenue for the year is as follows:

	2013	2012
	HK$'000	*HK$'000*
Sales of tea products	**140,421**	170,870
Sales of molybdenum	**46,163**	50,761
Online video business ("iTV")	**1**	15
	186,585	221,646

8. SEGMENT INFORMATION

Information reported to the Company's chief executive officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

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

Tea products	—	production and sales of tea
Molybdenum	—	mining, processing and sales of molybdenum
iTV	—	online video broadcasting

8. SEGMENT INFORMATION *(CONTINUED)*

Segment revenue and results

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

For the year ended 31 December 2013

	Tea products *HK$'000*	Molybdenum *HK$'000*	iTV *HK$'000*	Total *HK$'000*
REVENUE				
Segment revenue — external sales	**140,421**	**46,163**	**1**	**186,585**
RESULT				
Segment loss	**(187,891)**	**(66,891)**	**(18,731)**	**(273,513)**
Unallocated income				
— Interest income on bank deposits				**1,629**
— Gain on disposal of property, plant and equipment				**12,172**
Total unallocated income				**13,801**
Unallocated expenses				
— Central administrative expenses				**(57,682)**
— Net foreign exchange loss				**(6,267)**
Finance costs				**(27,404)**
Total unallocated expenses				**(91,353)**
Loss before tax				**(351,065)**

8. SEGMENT INFORMATION *(CONTINUED)*

Segment revenue and results *(CONTINUED)*

For the year ended 31 December 2012

	Tea products HK$'000	Molybdenum HK$'000 (Note below)	iTV HK$'000	Total HK$'000
REVENUE				
Segment revenue — external sales	170,870	50,761	15	221,646
RESULT				
Segment (loss) profit	(13,733)	6,362	(13,836)	(21,207)
Unallocated income				
— Interest income on bank deposits				1,953
— Others				1,806
Total unallocated income				3,759
Unallocated expenses				
— Central administrative expenses				(75,972)
— Loss on disposal of property, plant and equipment				(5,411)
Finance costs				(23,206)
Total unallocated expenses				(104,589)
Loss before tax				(122,037)

8. SEGMENT INFORMATION *(CONTINUED)*

Segment revenue and results *(CONTINUED)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 5. Segment (loss) profit represent the result from each segment without allocation of central administration expenses, including impairment loss recognised in respect of available-for-sale investments, directors' salaries, other income (mainly includes interest income on bank deposits), (loss) gain on disposal of property, plant and equipment and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Note: In determining the segment result of molybdenum for the year ended 31 December 2012, a "gain on change of estimation on land reclamation and cavity refill cost" of approximately HK$41,121,000 has been included in the segment analysis.

Segment assets and liabilities

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

At 31 December 2013

	Tea products *HK$'000*	Molybdenum *HK$'000*	iTV *HK$'000*	Total *HK$'000*
ASSETS AND LIABILITIES				
Segment assets	266,941	339,139	3,933	610,013
Unallocated assets				
— Available-for-sale investments				69,819
— Certain bank balances and cash				47,704
— Others				14,064
Total unallocated assets				131,587
Total assets				741,600
Segment liabilities	139,287	535,755	421	675,463
Unallocated liabilities				
— Certain other payables				3,074
— Certain tax liabilities				1,918
— Non-redeemable convertible preference shares				53,125
Total unallocated liabilities				58,117
Total liabilities				733,580

8. SEGMENT INFORMATION *(CONTINUED)*

Segment assets and liabilities *(CONTINUED)*

At 31 December 2012

	Tea products *HK$'000*	Molybdenum *HK$'000*	iTV *HK$'000*	Total *HK$'000*
ASSETS AND LIABILITIES				
Segment assets	450,216	318,130	25,055	793,401
Unallocated assets				
— Available-for-sale investments				128,149
— Certain bank balances and cash				60,292
— Others				15,180
Total unallocated assets				203,621
Total assets				997,022
Segment liabilities	141,518	458,350	3,344	603,212
Unallocated liabilities				
— Certain other payables				11,559
— Certain tax liabilities				1,918
— Non-redeemable convertible preference shares				52,702
Total unallocated liabilities				66,179
Total liabilities				669,391

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

- all assets are allocated to operating segments other than available-for-sale investments, certain bank balances and cash and other assets that are not attributable to segments; and
- all liabilities are allocated to operating segments other than certain other payables, certain tax liabilities and non-redeemable convertible preference shares.

8. SEGMENT INFORMATION *(CONTINUED)*

Other segment information

For the year ended 31 December 2013

	Tea products *HK$'000*	Molybdenum *HK$'000*	iTV *HK$'000*	Sub-total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets excluding financial instruments	19,375	27,522	19	46,916	88	47,004
Depreciation and amortisation	6,164	11,117	412	17,693	528	18,221
Impairment loss recognised in respect of trade and other receivables	5,410	156	500	6,066	–	6,066
Reversal of impairment loss recognised in respect of trade and other receivables	(1,373)	–	–	(1,373)	–	(1,373)
Impairment loss recognised in respect of property, plant and equipment	60,658	–	526	61,184	–	61,184
Gain on disposal of property, plant and equipment	–	–	–	–	(12,172)	(12,172)
Impairment loss recognised in respect of available-for-sale investments	–	–	–	–	24,998	24,998
Impairment loss recognised in short-term loan and loan interest receivables	–	–	15,357	15,357	–	15,357
Fair value gains on available-for-sale investments	–	–	–	–	(1,530)	(1,530)
Waiver of other payables	–	–	(3,150)	(3,150)	–	(3,150)
Impairment loss recognised in respect of goodwill	88,295	–	–	88,295	–	88,295
Impairment loss recognised in respect of other intangible assets	27,777	32,083	–	59,860	–	59,860
Impairment loss recognised in respect of inventories	–	1,318	–	1,318	–	1,318

8. SEGMENT INFORMATION *(CONTINUED)*

Other segment information *(CONTINUED)*

For the year ended 31 December 2012

	Tea products *HK$'000*	Molybdenum *HK$'000*	iTV *HK$'000*	Sub-total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets excluding financial instruments	27,525	15,561	1,648	44,734	47	44,781
Depreciation and amortisation	6,741	10,905	745	18,391	690	19,081
Impairment loss recognised in respect of trade and other receivables	4,340	656	1,601	6,597	—	6,597
Reversal of impairment loss recognised in respect of trade and other receivables	(5,671)	(196)	—	(5,867)	—	(5,867)
Impairment loss recognised in respect of other intangible assets	—	—	7,874	7,874	—	7,874
Impairment loss recognised in respect of inventories	515	12,503	—	13,018	—	13,018
Impairment loss recognised in respect of property, plant and equipment	16,832	—	—	16,832	—	16,832
Written-off of inventories	5,337	—	—	5,337	—	5,337
Loss on disposal of property, plant and equipment	—	—	—	—	5,411	5,411
Impairment loss recognised in respect of available-for-sale investments	—	—	—	—	57,913	57,913
Fair value loss on available-for-sale investments	—	—	—	—	39,819	39,819
Impairment loss recognised in respect of inventories	—	—	—	—	—	—

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets is immaterial.

8. SEGMENT INFORMATION *(CONTINUED)*

Geographical information

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

Information about the Group's revenue from external customers is presented based on the geographical location of customers. Information about the Group's non-current assets (excluding financial instruments) is presented based on the geographical location of the assets.

For the year ended 31 December 2013

	The PRC *HK$'000*	**Hong Kong** *HK$'000*	**Europe** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**166,204**	**—**	**20,329**	**52**	**186,585**
Non-current assets excluding financial instruments	**231,571**	**11,281**	**—**	**—**	**242,852**

For the year ended 31 December 2012

	The PRC *HK$'000*	Hong Kong *HK$'000*	Europe *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	210,787	1,422	9,393	44	221,646
Non-current assets excluding financial instruments	388,137	12,559	—	—	400,696

Information about major customers

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

	2013 *HK$'000*	2012 *HK$'000*
Customer A[1]	**59,642**	43,250
Customer B[2]	**N/A[3]**	25,370
Customer C[2]	**18,666**	N/A[3]

1 Revenue from tea products
2 Revenue from molybdenum products
3 The corresponding revenue did not contributed over 10% of the total sales of the Group

9. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Interest income on bank deposits	**1,629**	1,953
Interest income from short-term loan	**—**	811
Interest income from advanced to suppliers *(Note 27)*	**5,583**	3,193
Government grants *(Note)*	**4,607**	5,264
Rental income	**102**	—
Others	**160**	1,437
	12,081	12,658

Note: In 2013, the Group received grants of approximately HK$2,685,000 (2012: HK$4,569,000) from the local government. There are no unfulfilled conditions and other contingencies attaching to such government grants and thus, the amounts are recognised as other income upon receipt.

10. OTHER GAINS AND LOSSES

	2013	2012
	HK$'000	*HK$'000*
Waiver of other payables	**3,150**	—
Reversal of tax recoverable previously written-off	**1,268**	—
Gain on changes of estimation on land reclamation and cavity refill cost *(Notes 4 and 33)*	**—**	41,121
Net foreign exchange (loss) gain	**(6,267)**	370
Gain (loss) on disposal of property, plant and equipment	**12,172**	(5,411)
Gain (loss) on changes in fair value less costs-to-sell for biological assets	**2,389**	(4,063)
	12,712	32,017

11. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Imputed interest on long-term payables and provisions	**12,244**	10,556
Interest on bank borrowings wholly repayable within five years	**6,669**	4,222
Interest on non-redeemable convertible preference shares *(Note 37)*	**8,353**	8,294
Interest on other borrowings	**138**	134
	27,404	23,206

12. INCOME TAX CREDIT

	2013 HK$'000	2012 HK$'000
Current tax:		
Hong Kong	—	—
PRC Enterprise Income Tax	—	—
	—	—
Deferred tax *(Note 35)*:		
Current year	**(6,165)**	(1,804)
Income tax credit	**(6,165)**	(1,804)

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

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

The income tax credit for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 HK$'000	2012 HK$'000
Loss before tax	**(351,065)**	(122,037)
Tax at the domestic income tax rate of 25%	**(87,766)**	(30,509)
Tax effect of expenses not deductible for tax purposes	**68,366**	3,082
Tax effect of income not taxable for tax purposes	**(5,548)**	(9,375)
Tax effect of tax loss not recognised	**21,835**	21,570
Tax effect of temporary differences not recognised	**(59)**	14,752
Effect of different tax rate of subsidiaries	**(2,993)**	(1,324)
Income tax credit for the year	**(6,165)**	(1,804)

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

13. LOSS FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' and chief executives' remuneration *(Note 14)*	**10,278**	9,547
Other staff's salaries, bonus and allowances	**31,982**	35,168
Other staff's contribution to retirement benefits schemes	**1,379**	1,088
Share-based payments expenses — directors *(Note 14)*	**9,251**	—
Share-based payments expenses — employees	**1,099**	—
Total staff costs	**53,989**	45,803
Impairment loss recognised in respect of trade and other receivables	**6,066**	6,597
Reversal of impairment losses recognised in respect of trade and other receivables	**(1,373)**	(5,867)
Amortisation of other intangible assets	**1,377**	2,854
Amortisation of prepaid lease payment	**1,017**	1,848
Auditors' remuneration		
— Audit service	**1,430**	1,430
— Non-audit service	**520**	550
Costs of inventories recognised as an expense	**125,819**	126,623
Written-off of inventories	**—**	5,337
Depreciation of property, plant and equipment	**15,827**	14,379
Share-based payment expense — consultant	**1,240**	—

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executives' emoluments

	2013 HK$'000	2012 HK$'000
Fees	600	435
Other emoluments		
Salaries and other benefits	8,003	8,126
Performance related incentive payments *(Note c)*	1,279	635
Share-based payments *(Note 42)*	9,251	—
Retirement benefits contributions	396	351
	19,529	9,547

The emoluments paid or payable to each of the eleven (2012: eleven) directors and, including chief executives of the Company were as follows:

2013

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (Note c)	Share-based payments HK$'000	Retirement benefits contributions HK$'000	Total HK$'000
Chairman						
You Xian Sheng *(Note a)*	—	1,500	250	1,772	88	3,610
Executive directors						
Wang Hui	—	1,250	100	1,551	27	2,928
Yeung Kwok Kuen *(Note b)*	—	1,500	250	886	88	2,724
Chen Shou Wu *(Note b)*	—	1,500	250	1,551	88	3,389
Fang Yi Quan	—	400	80	549	24	1,053
Independent non-executive directors						
Chu Kang Nam	180	30	—	133	—	343
Lin Xiang Min *(Note a)*	180	30	—	133	—	343
Chong Cha Hwa	240	40	—	239	—	519
Chief executives						
Yin Guang Yuan	—	760	166	1,551	27	2,504
Qiao Hong Bo	—	534	101	443	27	1,105
Qu Yan Chun	—	459	82	443	27	1,011
	600	8,003	1,279	9,251	396	19,529

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

2012

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (Note c)	Share-based payments HK$'000	Retirement benefits contributions HK$'000	Total HK$'000
Chairman						
You Xian Sheng *(Note a)*	—	1,500	—	—	75	1,575
Executive directors						
Wang Hui	—	1,198	100	—	24	1,322
Yeung Kwok Kuen *(Note b)*	—	1,500	125	—	81	1,706
Chen Shou Wu *(Note b)*	—	1,500	125	—	81	1,706
Fang Yi Quan	—	360	—	—	15	375
Independent non-executive directors						
Chu Kang Nam	125	—	—	—	—	125
Lin Xiang Min *(Note a)*	125	—	—	—	—	125
Chong Cha Hwa	185	—	—	—	—	185
Chief executives						
Yin Guang Yuan	—	910	124	—	25	1,059
Qiao Hong Bo	—	625	87	—	25	737
Qu Yan Chun	—	533	74	—	25	632
	435	8,126	635	—	351	9,547

Note:

(a) You Xian Sheng and Lin Xiang Min were resigned as Directors on 31 January 2014.

(b) Chen Shou Wu and Yeung Kwok Kuen were resigned as Directors on 1 March 2014.

(c) The performance related incentive payments are determined by reference to the financial performance of certain subsidiaries of the Group and the market environment during the year.

Mr. Chen Shou Wu is also the chief executive officer of the Company and his emoluments disclosed above include those for service rendered by him as the chief executive officer.

Neither the chief executives nor any of the Directors waived or agreed to waive any emoluments in the two years ended 31 December 2013 and 2012.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, five (2012: five) were directors and the chief executives of the Company whose emoluments are included in the disclosures above for both years. Their emoluments were within the following bands:

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

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: HK$Nil).

16. LOSS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	**(311,048)**	(110,858)
Effect of dilutive potential ordinary shares:		
Interest on non-redeemable convertible preference shares *(Note)*	**—**	—
Loss for the purposes of diluted loss per share	**(311,048)**	(110,858)

	Number of shares	
	2013	2012
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic loss per share	**9,138,782**	9,138,782
Effect of dilutive potential ordinary shares:		
Non-redeemable convertible preference shares *(Note)*	**—**	—
Weighted average number of ordinary shares for the purposes of diluted loss per share	**9,138,782**	9,138,782

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

Note: The computation of diluted loss per share for the years ended 31 December 2013 and 31 December 2012 do not assume the conversion of the Company's outstanding share options and non-redeemable convertible preference shares since their exercise would result in a decrease in loss per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Mining structures HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2012	73,826	400,032	90,866	15,750	12,508	44,186	637,168
Exchange adjustments	487	2,531	600	214	82	68	3,982
Additions	841	3,042	2,926	158	2,235	35,291	44,493
Transfer	10,316	2,328	—	—	—	(16,790)	(4,146)
Written-off	—	(67,803)	(17,085)	—	(109)	(33,477)	(118,474)
Disposal	—	(24,279)	(98)	(385)	(1,314)	(6,369)	(32,445)
At 31 December 2012 and 1 January 2013	85,470	315,851	77,209	15,737	13,402	22,909	530,578
Exchange adjustments	2,548	10,333	2,445	341	516	638	16,821
Additions	—	15,009	3,523	1,424	1,674	25,215	46,845
Transfer	17,476	17,405	—	—	—	(34,881)	—
Written-off	—	—	—	(61)	—	—	(61)
Disposal	—	(191)	(10,082)	(441)	(1,943)	—	(12,657)
At 31 December 2013	105,494	358,407	73,095	17,000	13,649	13,881	581,526
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2012	68,223	302,477	86,043	8,618	4,411	33,477	503,249
Exchange adjustments	450	1,973	568	118	31	—	3,140
Charge for the year	1,820	7,537	1,289	1,209	2,524	—	14,379
Written-off	—	(67,803)	(17,085)	—	(109)	(33,477)	(118,474)
Eliminated on disposal	—	(6,743)	(56)	(71)	(915)	—	(7,785)
Impairment loss recognised in profit or loss	—	16,832	—	—	—	—	16,832
At 31 December 2012 and 1 January 2013	70,493	254,273	70,759	9,874	5,942	—	411,341
Exchange adjustments	367	9,375	1,142	303	278	139	11,604
Charge for the year	618	8,220	3,577	1,453	1,959	—	15,827
Written-off	—	—	—	(61)	—	—	(61)
Eliminated on disposal	—	(329)	(9,753)	(407)	(1,503)	—	(11,992)
Impairment loss recognised in profit or loss	—	40,466	5,519	2,257	2,771	10,171	61,184
At 31 December 2013	71,478	312,005	71,244	13,419	9,447	10,310	487,903
CARRYING VALUES							
At 31 December 2013	**34,016**	**46,402**	**1,851**	**3,581**	**4,202**	**3,571**	**93,623**
At 31 December 2012	14,977	61,578	6,450	5,863	7,460	22,909	119,237

The Group has pledged certain buildings with carrying value of approximately HK$35,319,000 (2012: HK$18,639,000) to secure the general banking facilities granted to the Group as details disclosed in Note 31.

17. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The carrying values of buildings comprise:

	2013	2012
	HK$'000	*HK$'000*
Long-term lease in Hong Kong	**11,980**	12,433
Medium-term lease in the PRC	**34,422**	49,145
	46,402	61,578

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis as follows:

Mining structures	The units of production on the proven and probable mineral reserves
Buildings	Shorter of lease term of land or 8 — 40 years
Plant and machinery	12 — 14 years
Furniture, fixtures and equipment	5 — 10 years
Motor vehicles	5 — 10 years

Applications for property ownership certificates of certain buildings located in Wuyishan and Harbin with aggregate carrying values of approximately HK$16,340,000 (2012: HK$14,164,000) as of 31 December 2013 were still in progress and these property ownership certificates had not been issued to the Group by the relevant government authorities as at 31 December 2013.

The Directors are of the opinion that the Group has acquired the beneficial title to those buildings located at Harbin at the end of the reporting period, and the property ownership certificates can be obtained in the near future.

As at 31 December 2013, the Directors conducted a review of the Group's property, plant and equipment which attributable to the tea business, having regard to the recurring loss of the relevant operation. These assets are used in the Group's reportable and operating segment of tea products. Accordingly, an impairment loss of approximately HK$60,658,000 (2012: HK$Nil) has been recognised in respect of certain property, plant and equipment of the Group to the extent that the carrying amounts exceeded their recoverable amounts based on the best estimate by the Directors with reference to the valuation performed by an independent valuer, BMI Apprasial Limited. The impairment loss has been recognised and included in the consolidated statement of profit or loss and other comprehensive income for the year. In addition, the Directors also conducted a review of the property, plant and equipment attributable to the iTV business and determined that a number of assets were impaired, due to idleness or technical obsolescence. Accordingly, an impairment loss of HK$526,000 (2012: HK$Nil) has been recognised and included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013.

As at 31 December 2012, the Directors conducted a review of the Group's buildings located in Wuyishan regarding the reportable and operating segment of tea business and determined that a number of those assets were impaired, due to the Group fail to obtain the relevant building ownership certificates. Accordingly, impairment loss of HK$16,832,000 has been recognised and included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012.

18. PREPAID LEASE PAYMENTS

Analysed for reporting purposes as:

	2013	2012
	HK$'000	*HK$'000*
Current asset	**549**	532
Non-current asset	**31,174**	31,104
	31,723	31,636

The prepaid lease payments are under medium-term leases and are situated in the PRC.

The prepaid lease payments are amortised over their lease periods.

The Group has pledged certain prepaid lease payment with carrying values of approximately HK$19,838,000 (2012: HK$19,711,000) to secure general banking facilities granted to the Group as details disclosed in Note 31 to the consolidated financial statements.

19. EXPLORATION AND EVALUATION ASSETS

	HK$'000
COST	
At 1 January 2012	47,815
Exchange adjustments	316
At 31 December 2012 and 1 January 2013	48,131
Exchange adjustments	1,978
At 31 December 2013	**50,109**
ACCUMULATED IMPAIRMENT	
At 1 January 2012	47,815
Exchange adjustments	316
At 31 December 2012 and 1 January 2013	48,131
Exchange adjustments	1,978
At 31 December 2013	**50,109**
CARRYING VALUES	
At 31 December 2013	**—**
At 31 December 2012	—

The amount represented exploration and evaluation assets in certain locations in Inner Mongolia and Heilongjiang province, the PRC, and were fully impaired in the consolidated statement of profit or loss and other comprehensive income in prior years.

20. GOODWILL

	HK$'000
COST	
At 1 January 2012, 31 December 2012 and **31 December 2013**	**511,381**
ACCUMULATED IMPAIRMENT	
At 1 January 2012 and 31 December 2012	423,086
Impairment loss recognised in respect of goodwill	88,295
At 31 December 2013	**511,381**
CARRYING VALUES	
At 31 December 2013	**—**
At 31 December 2012	**88,295**

For the purpose of impairment test, goodwill has been allocated to a cash-generating unit, production and sale of tea (i.e. the reporting and operating segment of tea products) and the details of the impairment testing on goodwill are set out in Note 23 to the consolidated financial statements.

21. OTHER INTANGIBLE ASSETS

	Mining rights *HK$'000* *(Note (b))*	**Exploration rights** *HK$'000* *(Note (c))*	**Brand name** *HK$'000* *(Note (d))*	**Network video platform** *HK$'000* *(Note (e))*	**Forest use right** *HK$'000* *(Note (f))*	**Total** *HK$'000*
COST						
At 1 January 2012	3,444,480	15,988	79,583	4,260	9,641	3,553,952
Exchange adjustments	23,134	106	1	24	51	23,316
Additions	—	—	288	—	—	288
Transfer	—	—	—	4,146	—	4,146
At 31 December 2012 and 1 January 2013	3,467,614	16,094	79,872	8,430	9,692	3,581,702
Exchange adjustments	142,519	661	3	320	331	143,834
Additions	—	—	159	—	—	159
Written-off	—	—	—	(81)	—	(81)
At 31 December 2013	**3,610,133**	**16,755**	**80,034**	**8,669**	**10,023**	**3,725,614**
ACCUMULATED AMORTISATION AND IMPAIRMENT						
At 1 January 2012	3,334,680	15,988	44,091	130	31	3,394,920
Exchange adjustments	21,931	106	—	—	—	22,037
Charge for the year	2,067	—	—	426	361	2,854
Impairment loss recognised in profit or loss	—	—	—	7,874	—	7,874
At 31 December 2012 and 1 January 2013	3,358,678	16,094	44,091	8,430	392	3,427,685
Exchange adjustments	135,543	661	—	320	23	136,547
Charge for the year	1,009	—	—	—	368	1,377
Impairment loss recognised in profit or loss	32,083	—	27,777	—	—	59,860
Written-off	—	—	—	(81)	—	(81)
At 31 December 2013	**3,527,313**	**16,755**	**71,868**	**8,669**	**783**	**3,625,388**
CARRYING VALUES						
At 31 December 2013	**82,820**	**—**	**8,166**	**—**	**9,240**	**100,226**
At 31 December 2012	108,936	—	35,781	—	9,300	154,017

21. OTHER INTANGIBLE ASSETS *(CONTINUED)*

Notes:

(a) The above intangible assets other than brand name have finite useful lives. Mining rights are amortised using the units of production method based on the proven and probable mineral reserves and the amortisation rate used in 2013 is 0.51% (2012: 1.07%). Exploration rights are amortised on a straight-line basis over the contractual rights of 2 years (2012: 2 years). Network video platform is amortised on a straight-line basis over its expected useful life of 10 years (2012: 10 years). Forest use right is amortised on a straight-line basis over its expected useful life of 25 years (2012: 25 years).

(b) Mining rights (included in the CGU of mining business of molybdenum)

Included in mining rights is an amount of HK$82,820,000 (2012: approximately HK$108,936,000) representing the carrying amount of the mining rights in Harbin, acquired in 2007.

During 2013, impairment loss of approximately HK$32,083,000 (2012: HK$Nil) has been recognised in respect of the mining rights to the extend that the carrying amount exceeded its recoverable amount. Particulars of the impairment testing are disclosed in Note 23(b) to the consolidated financial statements.

(c) Exploration right

The exploration rights were fully amortised to the consolidated statement of profit or loss and other comprehensive income in prior years.

(d) Brand name (included in the CGU of tea business)

Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by the Directors, which supports that the brand name has no foreseeable limit to the period over which the products with the brand name are expected to generate net cash flows for the Group.

As a result, the brand name is considered by the Directors as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 23(a) to the consolidated financial statements.

(e) Network video platform (included in the CGU of iTV business)

The network video platform represents the design and application of the network video platform for providing online video services. Certain of the platforms have been completed and put in use in 2012 and an impairment loss of approximately HK$7,874,000 has been recognised during the year ended 31 December 2012. Particulars of the impairment testing are disclosed in Note 23(c) to the consolidated financial statements.

During the year ended 31 December 2012, certain network video platform under construction with carrying amount approximately HK$4,146,000, which represented the computer hardware supporting the network video platform has been completed and the balance has been reclassified to intangible asset during the year ended 31 December 2012.

(f) Forest use right (included in the CGU of biological asset of tea plantation)

The forest use right relates to the favourable aspect of the right to use and operate the tea plantation land, which in substance is an operating right. The fair value on acquisition was determined based on a valuation report prepared by an independent professional valuer, Greater China Appraisal Limited using discount cash flows method at the date of acquisition in 2011 and the estimated present value of payments due under the agreement entered into by Wuyi Star. It will be tested for impairment annually whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 23(d) to the consolidated financial statements.

22. BIOLOGICAL ASSETS

At the end of the report period, the Group's biological assets are stated at fair values less costs-to-sell which was classified as non-current assets in the consolidated statement of financial position. The fair value of biological assets is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	Tea plantation *HK$'000*
At 1 January 2012	12,264
Exchange adjustment	68
Agricultural produce harvested during the year	(226)
Loss on changes in fair value less costs-to-sell	(4,063)
At 31 December 2012 and 1 January 2013	8,043
Exchange adjustment	294
Agricultural produce harvested during the year	(507)
Gain on changes in fair value less costs-to-sell	2,389
At 31 December 2013	**10,219**

The Group's tea plantation was located in Fujian Province, Wuyishan City, Wuyi Town, Chishi Village, Du Kou Dao Ban（福建省武夷山市武夷鎮赤石村渡口道班）.

The Group's tea plantation were independently valued by Greater China Appraisal Limited, an independent professional valuer not connected to the Group, who has appropriate qualifications and recent experiences in valuation in biological assets.

The fair value less costs-to-sell of tea plantation of approximately HK$10,219,000 (2012: HK$8,043,000) is determined with reference to the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate of 14.41% (2012: 13.78%). For the estimation of the projected cash flows, the Directors had made reference to the existing tree resources, the historical growth rate of the tea trees and the economy in the PRC, and adopted a growth rate of approximately 3% (2012: 3%) for 5 years (2012: 5 years). The higher the growth rate of tea trees is, the higher the fair value of the biological assets is.

There were no changes to the valuation technique during the year. Hence, a gain on changes in fair value less costs-to-sell of approximately HK$2,389,000 (2012: loss on changes in fair value less cost-to-sell of approximately HK$4,063,000) has been recognised in profit or loss.

The agricultural produce amounting to approximately HK$507,000 (2012: HK$226,000) has been harvested during the year ended 31 December 2013.

23. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS

(a) Impairment testing on goodwill and brand name of its tea business, attributable to the reportable and operating segment of tea business

As at 31 December 2013, the carrying amounts of goodwill and brand name relating to the Group's tea business were HK$Nil and HK$8,166,000 respectively (2012: HK$88,295,000 and HK$35,781,000 respectively).

The goodwill and brand name with indefinite useful life arose from the acquisition of King Gold Investments Limited and its subsidiaries (the "King Gold Group") in 2009. The tea business operated by the King Gold Group is the CGU for the purpose of impairment testing of goodwill and brand name with indefinite useful life.

During the two years ended 31 December 2013 and 31 December 2012, the Directors conducted a review of the Group's goodwill and brand name and appointed an independent professional valuer, BMI Appraisals Limited, to assist them to determine the recoverable amount.

The recoverable amount of goodwill has been determined by using value-in-use calculation. The cash flow projections were prepared from financial budgets approved by the Directors covering a number of years with a pre-tax discount rate of 18.03% (2012: 15.49%). Cash flows beyond the forecast period were extrapolated using a 3% (2012: 3%) steady growth rate. This growth rate was based on the relevant growth forecasts and does not exceed the average long-term growth rate for the relevant industry. In addition, the cash flow projections were prepared based on the expected EBITDA margin determined based on past performance and management's expectations for the market development.

The recoverable amount of brand name has been determined on the basis of its fair value. Relief-from-royalty method was applied in the valuation of the brand name. In applying the method, an estimate of a reasonable royalty rate was made assuming that the brand name was licensed at a fair rate as a result of arm's length negotiations. Royalty rate of 0.86% (2012: 3%) was adopted in the valuation of brand name.

Based on the above basis and assumptions, impairment loss of approximately HK$88,295,000 (2012: HK$Nil) and approximately HK$27,777,000 (2012: HK$Nil) have been recognised in respect of the goodwill and brand name, respectively to the extent that the carrying amounts exceeded their recoverable amounts based on the best estimate by the Directors and thus, the amounts were recognised to the consolidated statement of loss or profit and other comprehensive income for the year ended 31 December 2013.

23. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS *(CONTINUED)*

(b) Impairment testing on mining right of its molybdenum business, attributable to the reportable and operating segment of Molybdenum

As at 31 December 2013, the carrying amount of mining rights relating to the Group's molybdenum business was HK$82,820,000 (2012: HK$108,936,000).

During the two years ended 31 December 2013 and 31 December 2012, the Directors conducted a review of the mining rights and appointed an independent professional valuer, Greater China Appraisal Limited, to perform a business valuation on the mining rights CGU.

The recoverable amount of mining rights CGU has been determined by using value-in-use calculation. The value-in-use calculation is based on a pre-tax discount rate of 37.49% (2012: 34.02%) and cash flow projections prepared from financial forecasts approved by the Directors. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the mining unit's past performance and management's expectations for the market development.

Based on the above basis and assumptions, impairment loss of approximately HK$32,083,000 (2012: HK$Nil) has been recognised in respect of the mining rights to the extent that the carrying amount exceeded its recoverable amount based on the best estimate by the Directors and thus, the amount was recognised to the consolidated statement of loss or profit and other comprehensive income for the year ended 31 December 2013.

(c) Impairment testing on network video platform of its iTV business, attributable to the reportable and operating segment of iTV

As at 31 December 2013, the carrying amount of network video platform relating to the Group's iTV business was HK$Nil (2012: HK$Nil).

The network video platform represents the design and application of the network video platform for providing online video services and the expected useful life is 10 years.

During the year ended 31 December 2012, the Directors conducted a review of the network video platform CGU.

As part of the impairment review, the Directors compared the carrying amount with the recoverable amount of the network video platform as at 31 December 2012. Based on the best estimate by the Directors, they discovered that the recoverable amount was far below the carrying amount, therefore, approximately HK$7,874,000 impairment loss has been recognised in the consolidated statement of profit or loss and other comprehensive income in year 2012.

During the year ended 31 December 2013, no impairment was recognised as the network video platform has been fully impaired in year 2012.

23. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS *(CONTINUED)*

(d) Impairment testing on forest use right of its tea plantation business, attributable to the reportable and operating segment of tea business

As at 31 December 2013, the carrying amount of forest use right relating to the Group's tea business was HK$9,240,000 (2012: HK$9,300,000).

The biological assets and forest use right represent the right to use and operate of tea plantation in Fujian Province, Wuyishan City, Wuyi Town, Chishi Village, Du Kou Dao Ban（福建省武夷山市武夷鎮赤石村渡口道班）with the useful life of 25 years. The biological assets and forest use right were acquired during the year ended 31 December 2011 for an aggregated consideration of HK$21,541,000 (equivalent to RMB17,536,000).

During the two years ended 31 December 2013 and 31 December 2012, the Directors conducted a review of the forest use right and appointed an independent professional valuer, Greater China Appraisals Limited, to perform a valuation on the forest use right CGU.

The recoverable amount of the CGU has been determined based on value-in-use calculation. The value-in-use calculation is based on a pre-tax discount rate of 6.23% (2012: 6.24%) and cash flow projections prepared from financial forecasts approved by the Directors.

Based on the above basis and assumption, the Directors are satisfied that no impairment loss of the forest use right which was required to be recognised for the year (2012: HK$Nil).

24. AVAILABLE-FOR-SALE INVESTMENTS

	2013	2012
	HK$'000	*HK$'000*
Available-for-sale investments		
Equity securities listed in overseas stock exchange	**69,819**	128,149

24. AVAILABLE-FOR-SALE INVESTMENTS *(CONTINUED)*

The available-for-sale investments represent investments in the following listed entities at the end of reporting period:

Name of the investees	Place of incorporation	Carrying value as at 31 December 2013 *HK$'000*	Investment revaluation reserve during the year *HK$'000*	Impairment loss recognised during the year *HK$'000*	Equity interest attributable to the Group as at 31 December 2013
Selwyn Resources Ltd	Canada	4,774	977	—	11.14%
Fortune Minerals Ltd	Canada	29,981	—	(24,988)	10.18%
Majestic Gold Corporation	Canada	35,064	553	—	6.06%
Total		**69,819**	**1,530**	**(24,988)**	

Name of the investees	Place of incorporation	Carrying value as at 31 December 2012 *HK$'000*	Investment revaluation reserve during the year *HK$'000*	Impairment loss recognised during the year *HK$'000*	Equity interest attributable to the Group as at 31 December 2012
Selwyn Resources Ltd	Canada	29,014	(27,654)	(14,439)	11.14%
Fortune Minerals Ltd	Canada	59,548	(17,819)	(8,012)	12.63%
Majestic Gold Corporation	Canada	39,587	5,654	(35,462)	6.06%
Total		**128,149**	**(39,819)**	**(57,913)**	

Included in the available-for-sale investments are the following amounts denominated in a currency other than the functional currency of the Group:

Currency	**2013** ***'000***	2012 *'000*
Canadian dollars ("CAD")	**9,631**	16,482

The listed available-for-sale investments represent investments in equity securities listed in Toronto Stock Exchange ("TSE") for both years. They are measured at fair values determined with reference to quoted market bid prices at the end of each reporting period.

During the year ended 31 December 2013, fair value gain of approximately HK$1,530,000 (2012: fair value loss of HK$39,819,000) is recognised in investment revaluation reserve under other comprehensive income (expense) and impairment loss of approximately HK$24,998,000 (2012: HK$57,913,000) has been included in the consolidated statement of profit or loss and other comprehensive income for the current year.

24. AVAILABLE-FOR-SALE INVESTMENTS *(CONTINUED)*

During the year ended 31 December 2013, Selwyn Resources Ltd announced that there was a return of capital to its shareholders at CAD0.07 per share. An amount of approximately HK$22,248,000 (equivalent to CAD3,073,000) have been returned to the Group on 30 December 2013. After the return of capital, the shareholding of the Group in Selwyn Resources Ltd remains unchanged.

25. OTHER NON-CURRENT FINANCIAL ASSETS

	2013	2012
	HK$'000	*HK$'000*
The amounts comprise of:		
— Other long-term advances *(Note)*	**3,805**	—
— Trade and other receivable — non-current portion *(Note 27)*	**3,805**	—
	7,610	—

Note: During the year ended 31 December 2013, the Group participated in a small and medium enterprises fund scheme in Nanping City (南平市中小企業互助基金), which is governed by a committee composed of various regulatory departments and enterprises in the PRC, for the purpose of financing small and medium enterprises with temporary financial difficulties. The Group placed an advance of approximately HK$3,805,000 (equivalent to RMB3,000,000) to the fund. This advance carries interest at the rate of 6% per annum, unsecured, matured in three years and restricted to refund before matured.

26. INVENTORIES

	2013	2012
	HK$'000	*HK$'000*
Raw materials	**62,582**	58,594
Work in progress	**75,244**	51,955
Finished goods	**36,688**	62,182
	174,514	172,731

During the year ended 31 December 2013, no inventory has been written-off. During the year ended 31 December 2012, the Group had written-off certain inventories of approximately HK$5,337,000 in relation to those finished goods due to a fire accident.

At 31 December 2013, approximately HK$47,767,000 of the inventories was stated at net realisable value.

27. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables *(Note (a))*	**49,888**	84,195
Less: Allowances	**(13,851)**	(9,906)
	36,037	74,289
Other receivables *(Note (b))*	**78,114**	70,087
Less: Allowances	**(60,271)**	(57,212)
	17,843	12,875
Bill receivables	**13,887**	—
Deposits and prepayments	**12,206**	2,734
Advanced to suppliers *(Note (c))*	**59,143**	70,859
	85,236	73,593
Total trade and other receivables	**139,116**	160,757
Analysed for reporting purposes as:		
— Current assets	**135,311**	160,757
— Non-current assets included in other non-current financial assets *(Note (b) and Note 25)*	**3,805**	—
	139,116	160,757

27. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes:

(a) Trade receivables

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

	2013	2012
	HK$'000	*HK$'000*
0 — 30 days	**3,621**	13,110
31 — 60 days	**2,289**	2,044
61 — 90 days	**1,417**	458
Over 90 days	**28,710**	58,677
	36,037	74,289

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed once a year. At 31 December 2013, approximately 15% (2012: 19%) of the trade receivables that are neither past due nor impaired.

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

	2013	2012
	HK$'000	*HK$'000*
31 — 90 days	**—**	—
Over 90 days	**28,710**	58,213
	28,710	58,213

Included in the Group's trade receivables balance at 31 December 2013 are debtors with aggregate carrying amount of approximately HK$28,710,000 (2012: HK$58,213,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The Group does not hold any collateral over these balances. The average age of trade receivables is 154 days (2012: 150 days).

At 31 December 2013, included in the Group's trade receivables past due but not impaired is receivable from one of the major customers of mining, processing and sales of molybdenum segment with approximately HK$23,636,000 (2012: HK$54,852,000). This customer was a stated-owned enterprise located in the PRC and has long-term business relationship with the Group. The Group allows credit period of 30 days to this customer. In view of the past repayment records and the high credit rating of this customer, even though the repayment time was exceed the credit period and the balance was unsecured, the Directors are in the opinion that there has not been any significant change in the credit quality of this customer and further, this customer did not have any bad debt history. Accordingly, the Directors are satisfied that no impairment loss for this customer was required to be recognised. During the year ended 31 December 2013, the Group received amounting to approximately HK$31,216,000 from this major customer by way of direct bank payment of approximately HK$15,998,000 and bill receivables of approximately HK$15,218,000, in which HK$1,331,000 of bill receivables has been settled before year end and HK$6,088,000 has been settled up to the date of this report.

27. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(a) Trade receivables *(CONTINUED)*

Movement in the allowance for doubtful debts for trade receivables:

	2013	2012
	HK$'000	*HK$'000*
At beginning of the year	**9,906**	6,646
Exchange adjustments	**381**	36
Reversal of impairment loss	**(1,373)**	(1,116)
Impairment loss recognised	**4,937**	4,340
At end of the year	**13,851**	9,906

Movement in the allowance for doubtful debts for other receivables:

	2013	2012
	HK$'000	*HK$'000*
At beginning of the year	**57,212**	59,381
Exchange adjustments	**1,930**	325
Reversal of impairment loss	**—**	(4,751)
Impairment loss recognised	**1,129**	2,257
At end of the year	**60,271**	57,212

Included in the Group's allowance for doubtful debts are individually impaired trade receivables and other receivables with an aggregate balances of approximately HK$13,851,000 (2012: HK$9,906,000) and HK$60,271,000 (2012: HK$57,212,000) respectively in which the Directors consider that the Group is unlikely to recover these debts as they are long outstanding for more than 180 days to one year. The Group does not hold any collateral over these balances.

(b) Other receivables

Included in the Group's other receivables, an amount of approximately HK$7,610,000 (equivalent to RMB6,000,000) represented the proceeds from the disposal of certain plant and equipment of the Group during the year ended 31 December 2013. Pursuant to the asset disposal agreement, an amount of approximately HK$3,805,000 will be settled in September 2014 and the remaining amount of approximately HK$3,805,000 will be settled in September 2015. Accordingly, an amount of HK$3,805,000 was reclassified as other non-current financial assets in the consolidated statement of financial position at 31 December 2013.

(c) Advanced to suppliers

The amount represented advance payments to several suppliers for sourcing of goods from them. Out of which, amounting to approximately HK$50,732,000 (2012: approximately HK$49,088,000) represented the sourcing of teas from several suppliers which the goods will be delivered during the year ending 31 December 2014. Prior to the delivery of teas to the Group, these suppliers will pay an interest at the rate of 11.152% (2012: 11.152%) on the outstanding balances to the Group. During the year ended 31 December 2013, interest income from these suppliers of approximately HK$5,583,000 (equivalent to RMB4,402,000) (2012: HK$3,193,000 (equivalent to RMB2,602,000)) were received by the Company and the amount was recognised as other income in the consolidated statement of profit or loss and other comprehensive income (Note 9).

28. SHORT-TERM LOAN AND LOAN INTEREST RECEIVABLES

	2013	2012
	HK$'000	HK$'000
Loan receivables	15,220	15,954
Loan interest receivables	343	1,130
Less: Allowance for doubtful debts	(15,563)	—
	—	17,084

The short-term loan carries interest at 5% per annum, unsecured and matured within one year. During the year ended 31 December 2012, the Group and the debtor mutually agreed to extend the repayment period to 30 July 2013 and all other terms of the loan remain unchanged. In January 2013, interest receivables of approximately HK$798,000 and partial of the principal of approximately HK$1,227,000 were repaid from the debtor.

During the year ended 31 December 2013, the Group and the debtor mutually agreed to extend the repayment period for one more year to 30 July 2014 and all other terms of the loan remain unchanged. However, after considering the uncertainty of the financial status of the debtor in view of no repayment of the loan interest receivables and the debtor could not provide for any collateral to the Group, the Directors consider that the possibility to recover this short-term loan is remote and therefore, full impairment was recognised for the current year.

Movement in the allowance for doubtful debts for loan and loan interest receivables:

	2013	2012
	HK$'000	HK'000
At the beginning of the year	—	—
Exchange adjustments	206	—
Impairment loss recognised	15,357	—
At the end of the year	15,563	—

29. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates ranging from 0.01% to 0.40% per annum (2012: 0.01% to 3.1% per annum) at 31 December 2013.

30. TRADE AND OTHER PAYABLES

	2013 HK$'000	2012 HK$'000
Trade payables *(Note (a))*	**15,151**	16,166
Mining right payables *(Note (b))*	**118,186**	114,356
Other payables and accruals	**180,511**	205,277
	313,848	335,799
Analysed for reporting purpose as:		
— Current liabilities	**271,787**	281,887
— Non-current liabilities (classified as "other long-term payables" *(Note 36)*)	**42,061**	53,912
	313,848	335,799

Notes:

(a) Trade payables

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

	2013 HK$'000	2012 HK$'000
0 — 90 days	**6,473**	10,560
91 — 180 days	**4,169**	1,983
181 — 365 days	**660**	98
Over 1 year	**3,849**	3,525
	15,151	16,166

The average credit period on purchases of goods is 90 days (2012: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timetable.

(b) Mining right payables

	2013 HK$'000	2012 HK$'000
Analysed for reporting purpose as:		
— Current liabilities	**76,125**	60,444
— Non-current liabilities (classified as "other long-term payables" *(Note 36)*)	**42,061**	53,912
	118,186	114,356

Details of the mining right payables are disclosed in Note 36.

31. BANK BORROWINGS

	2013 HK$'000	2012 HK$'000
Secured bank borrowings, repayable on demand or within one year	**107,806**	67,496

The Group has pledged certain buildings and prepaid lease payments with carrying values of approximately HK$35,319,000 (2012: HK$18,639,000) and HK$19,838,000 (2012: HK$19,711,000), respectively to secure general banking facilities grant to the Group.

All of the bank borrowings are variable-rate borrowings for the years ended 31 December 2013 and 2012. The ranges of effective interest rates on the Group's bank borrowings are as follows:

	2013	2012
Variable-rate borrowings (with reference to the lending rate of The People's Bank of China ("PBOC"))	**6.00%-6.55% per annum**	6.31%-6.94% per annum

32. OTHER BORROWINGS

	2013 HK$'000	2012 HK$'000
The amounts comprise of:		
— Interest-free loan *(Note (a))*	**1,268**	1,227
— Interest bearing loan *(Note (b))*	**5,442**	5,265
	6,710	6,492
Analysed for reporting purposes as:		
— Current liabilities	**2,357**	1,754
— Non-current liabilities	**4,353**	4,738
	6,710	6,492

32. OTHER BORROWINGS *(CONTINUED)*

Notes:

(a) Interest-free loan

The amount represented a loan with a principal amount of approximately HK$1,268,000 (equivalent to RMB1,000,000) (2012: HK$1,227,000 (equivalent to RMB1,000,000)) which was provided by the Industry Development Fund (工業發展基金) of the Harbin Finance Bureau in 1998. The amount is unsecured, interest-free and repayable on demand.

(b) Interest bearing loan

The amount represented a loan with a principal amount of approximately HK$5,442,000 (equivalent to RMB4,290,000) (2012: HK$5,265,000 (equivalent to RMB4,290,000)) which was provided by the Harbin Finance Bureau in 2007. The amount is unsecured, bear interest at a rate of 2.55% (2012: 2.55%) per annum and is repayable as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Within one year	**1,089**	527
More than one year, but not more than two years	**545**	527
More than two years, but not more than five years	**1,632**	2,632
More than five years, up to year 2022	**2,176**	1,579
	5,442	5,265

33. PROVISIONS

	Provision for land reclamation and cavity refill cost *HK$'000* *(Note (a))*	**Provision for post-employment benefits to employees** *HK$'000* *(Note (b))*	**Total** *HK$'000*
At 1 January 2012	95,755	14,733	110,488
Exchange adjustment	772	68	840
Gain on change of estimation	(41,121)	—	(41,121)
Addition for the year	2,660	3,465	6,125
Utilisation of provision	(771)	—	(771)
Actuarial loss	—	4,109	4,109
At 31 December 2012 and 1 January 2013	57,295	22,375	79,670
Exchange adjustment	1,998	743	2,741
Additions for the year	7,669	4,574	12,243
Utilisation of provision	(1,954)	—	(1,954)
Actuarial loss	—	(5,039)	(5,039)
At 31 December 2013	**65,008**	**22,653**	**87,661**

33. PROVISIONS *(CONTINUED)*

	2013	2012
	HK\$'000	*HK\$'000*
Analysed for reporting purposes as:		
Current liabilities	**11,630**	5,924
Non-current liabilities	**76,031**	73,746
	87,661	79,670

Notes:

(a) Provision for land reclamation and cavity refill cost

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the costs for land reclamation and cavity refill for the Group's existing mines. The provision for land reclamation and cavity refill costs has been determined by the Directors with reference to the valuation report issued by Roma Appraisals Limited based on their best estimation and such costs are expected to be incurred during the period from 2011 to 2020 (2012: 2011 to 2020).

During the year ended 31 December 2012, in view of the current applicable circumstances, and the historical payment records for the relevant costs, the Directors have therefore revised their estimation on i) the period of the reclamation and cavity refill costs expected to be required to settle the obligation from 12 years to 8 years; ii) discount rate that reflects current market assessments of the time value of money and the risks specific to the liability from 8.34% to 5.02% and iii) the remaining future cash flows spending in the land reclamation and cavity refill from HK\$95,755,000 to HK\$57,295,000 is expected to be incurred after 2013. As a result, a gain on change of estimation of approximately HK\$41,121,000 has been recognised in year 2012.

Anticipated expenditure for year 2014 is HK\$11,630,000 (2012: for 2013 is HK\$5,924,000) and the remaining expenditure of HK\$53,378,000 is expected to be incurred after 2014 (2012: the remaining expenditure of HK\$51,371,000 is expected to be incurred after 2013).

(b) Provision for post-employment benefits to employees

The amount represented the provision for post-employment benefits to employees and the expected cost of providing these post-employment benefits is actuarially determined and recognised by using projected unit credit method, which involves a number of assumptions and estimates, including inflation rate, work injury rate, discount rate and employees' turnover ratio (see Note 41). The cost has been determined by the Directors with reference to the actuarial valuation issued by Avista Valuation Advisory Limited based on their best estimation. Anticipated expenditure in respect of post-employment benefit amounting HK\$22,653,000 to be incurred after 2014 (2012: approximately HK\$22,375,000 to be incurred after 2013).

34. DEFERRED INCOME

Deferred income represents government grants received by the Group at the end of the reporting period in respect of acquisition of property, plant and equipment and prepaid lease payments. It can only be recognised in profit or loss when the relevant mines subsidised by the government commence operations, which is a condition set out by the government. Such government grants are recognised as deferred income initially and recognised in profit or loss as other income over the useful lives of the assets.

Movements of government grants during the year are as follows:

	2013	2012
	HK$'000	*HK$'000*
At beginning of the year	**61,533**	53,835
Exchange adjustments	**3,880**	496
Received during the year	**43,996**	7,897
Recognised in profit or loss for the year	**(1,922)**	(695)
At end of the year	**107,487**	61,533

35. DEFERRED TAX (ASSETS) LIABILITIES

The followings are the deferred tax (assets) liabilities recognised and movements thereon during both years:

	Accelerated tax depreciation	**Other intangible assets**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	(9,298)	18,949	(1,348)	8,303
Exchange adjustments	(365)	64	(42)	(343)
Credit to profit or loss for the year	—	(517)	(1,287)	(1,804)
At 31 December 2012 and 1 January 2013	(9,663)	18,496	(2,677)	6,156
Exchange adjustments	(407)	508	(92)	9
Credit to profit or loss for the year	—	(5,171)	(994)	(6,165)
At 31 December 2013	**(10,070)**	**13,833**	**(3,763)**	**—**

35. DEFERRED TAX (ASSETS) LIABILITIES *(CONTINUED)*

At the end of the reporting period, the Group has unused tax loss of approximately HK$513,920,000 (2012: HK$426,580,000). No deferred tax asset has been recognised in relation to such tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$Nil (2012: HK$2,340,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

36. OTHER LONG-TERM PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Mining right payables — non-current portion	**42,061**	53,912

Pursuant to mining rights premium agreements in 2007 entered into between the Group and the relevant government authorities of the PRC in respect of the mining rights of Wudaoling Molybdenum mine, the mining right payable was amounting to approximately HK$179,386,000.

The mining rights payables in respect of Wudaoling Molybdenum mine are interest free. According to repayment terms in 2008, they shall be settled in four instalments payable on or before 22 May 2011. In 2009, the mining right payables for Wudaoling Molybdenum has been extended to 22 May 2016 by instalments.

As the Directors are in the negotiation with the relevant government authorities of the PRC in respect of the mining rights payables, the instalments payable for year 2011, year 2012 and year 2013 had not been settled as at 31 December 2013.

As advised by the PRC legal counsel, the Group would not expose to any penalty levy by the relevant government authorities of the PRC due to the delay in settlement.

The carrying amounts of the mining rights payables in respect of Wudaoling Molybdenum mine have been determined using a discount rate of 6.40% for current year (2012: 6.80%) according to PBOC.

As at 31 December 2013, the outstanding amount was HK$118,186,000 (2012: HK$114,356,000) and the amount was analysed for reporting purposes as:

	2013	2012
	HK$'000	*HK$'000*
Mining right payables		
— Current liabilities *(Note 30)*	**76,125**	60,444
— Non-current liabilities	**42,061**	53,912
	118,186	114,356

37. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES

As part of the consideration for the acquisition of Year Joy Investments Limited ("Year Joy"), the Company allotted and issued 3,776,190,000 non-redeemable convertible preference shares ("CPS") at HK$0.195 (market price of ordinary share) per CPS on 14 December 2010. The CPS recognised in the consolidated statement of financial position is calculated as follows:

	Number of CPS	Equity component *HK$'000*	Liability component *HK$'000*	Total *HK$'000*
As at 31 December 2013				
Issue of CPS during the year ended 31 December 2010	3,776,190,000	684,321	53,125	737,446
As at 31 December 2012				
Issue of CPS during the year ended 31 December 2010	3,776,190,000	684,321	52,702	737,023

Trinomial Lattice Model is used to value the fair value of the CPS on 14 December 2010. The inputs into the model were as follows:

Share price	HK$0.195
Exercise price	HK$0.21
Risk-free rate	3.556%
Expected volatility	75.4633%
Expected dividend yield	Nil

The non-redeemable convertible preference shares contain two components, liability and equity component. The equity element is presented in equity heading "Non-redeemable convertible preference shares". The liability component represents the Group's contractual obligation of interest payment to the holders of CPS. For the fair value of the liability component of the CPS at initial recognition, effective interest rate method is adopted in the valuation. The effective interest rate used in the valuation is 15.82%.

The principal terms of the CPS are set out below:

(a) Holders of the CPS shall not be entitled to any dividend payment or any distribution (including the bonus issue) of the Company other than interest at the rate of 1% per annum on the issue price of HK$0.21 per share (at date of entering into this agreement), amounting to approximately HK$7,930,000 per annum, payable on the last day of every six months of the date of issue of the CPS. The CPS does not carry any voting right.

(b) The CPS is not redeemable.

(c) The holders of the CPS shall have the right to convert the CPS into ordinary shares at the conversion ratio of one CPS into one ordinary share.

37. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES *(CONTINUED)*

(d) The CPS shall rank equally among themselves. On a return of capital in liquidation or otherwise, the assets of the Company available for distribution among the members of the Company, holders of the CPS and the ordinary shares shall rank pari passu with each other.

(e) The CPS is freely transferable.

(f) The CPS has no maturity date.

The movement of the liability component of the non-redeemable convertible preference shares during the years is set out below.

	2013	2012
	HK$'000	*HK$'000*
At beginning of the year	**52,702**	52,338
Interest charge *(Note 11)*	**8,353**	8,294
Interest paid	**(7,930)**	(7,930)
At the end of the year	**53,125**	52,702

38. SHARE CAPITAL

	Number of shares		Share capital	
	2013	2012	**2013**	2012
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.1 each				
Authorised:				
At 1 January 2012, 31 December 2012 and 31 December 2013	**46,223,810**	46,223,810	**4,622,381**	4,622,381
Issued and fully paid:				
At 1 January 2012, 31 December 2012 and 31 December 2013	**9,138,782**	9,138,782	**913,878**	913,878

39. OPERATING LEASES

(a) As lessee

	2013	2012
	HK$'000	*HK$'000*
Minimum lease payments in respect of premises and tea plantation under operating leases during the year	**13,727**	14,201

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

	2013	2012
	HK$'000	*HK$'000*
Within one year	**13,880**	13,267
In the second to fifth years inclusive	**24,508**	32,098
Over fifth years	**9,498**	9,096
	47,886	54,461

Operating lease payments represent rentals payable by the Group for certain of its office premises and tea plantation. Leases are negotiated and rentals are fixed for terms ranging from one to ten years (2012: one to ten years), and there is option to renew the lease contract of a tea plantation on expiry of lease term at rental rates based on the last rental payments.

(b) As lessor

Property rental income earned during the year ended 31 December 2013 was approximately HK$102,000 (2012: HK$Nil). At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**61**	—
In the second to fifth years inclusive	**71**	—
	132	—

40. CAPITAL COMMITMENTS

	2013	2012
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**14,892**	3,755

41. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying Hong Kong employees. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees.

The PRC employees of the Group are members of state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits.

The contributions paid/payable to the scheme by the Group at rates specified in the rules of the schemes are included in staff costs and disclosed in Note 13 for employees and directors respectively.

The Group also provides post-employment benefits. The benefits include compensation on work injuries and other welfares. The expected cost of providing these post-retirement benefits is actuarially determined and recognised by using Projected Unit Credit Method, which involves a number of assumptions and estimates, including inflation rate, work injury rate, discount rate and employees' turnover ratio.

The actuarial valuations of the retirement benefit plan were carried out as at 31 December 2013 and 2012 by Avista Valuation Advisory Limited.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	31.12.2013	31.12.2012
Discount rate	**5.00%**	4.25%
Post-employment allowance and social insurance contribution annual increase rate for injured workers	**4.00%**	4.00%
Heating allowance annual increase rate	**5.00%**	5.00%
Post-retirement medical contribution annual increase rate	**5.00%**	5.00%
Medical reimbursement annual increase rate for injured workers	**4.00%**	7.00%
Allowance annual increase rate for beneficiaries	**0.00%**	0.00%
Annual turnover rate for active employees	**3.00%**	3.00%

42. SHARE OPTION SCHEME

2012 Option Scheme

The Company has a share option scheme which was adopted on 25 May 2012 (the "2012 Option Scheme") whereby the Directors may, at their discretion, invite directors and employees of the Company or its subsidiaries to subscribe for shares in the Company subject to terms and conditions stipulated therein. The options granted were vested immediately at the date of grant and were exercisable within a period of five years. Each option gives the holder the right to subscribe for one ordinary share in the Company.

Details of the terms and movements of the share options granted during the year ended 31 December 2013 pursuant to the 2012 Option Scheme are as follows:

2013				Number of options				
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 1.1.2013	Granted during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.12.2013
Directors	11.11.2013	HK$0.100	10.11.2018	—	149,000,000	—	—	149,000,000
	28.3.2013	HK$0.1084	27.3.2018	—	6,000,000	—	—	6,000,000
Employees	11.11.2013	HK$0.100	10.11.2018	—	81,600,000	—	—	81,600,000
Other *(Note)*	11.11.2013	HK$0.100	10.11.2018	—	30,000,000	—	—	30,000,000
				—	266,600,000	—	—	266,600,000
Exercisable at the end of the year								266,600,000
Weighted average exercise price (HK$)				—	0.1002	—	—	0.1002

Note:

Other represented share options held by former director or employee or consulting firm of the Group. The share options remain exercisable until the expiry date.

During the year ended 31 December 2013, options were granted on 28 March 2013 and 11 November 2013 respectively. The estimated fair values of the options granted on 28 March 2013 and 11 November 2013 were approximately HK$212,000 and HK$11,378,000 respectively.

As the fair value of the services received could not be estimated reliably by the Company, the fair value of service received was measured indirectly by reference to the fair value of the share options granted. The estimate of the fair value of the share options granted is measured based on Binomial Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Option Pricing Model.

42. SHARE OPTION SCHEME *(CONTINUED)*

2012 Option Scheme *(CONTINUED)*

The inputs into the model as of grant date were as follows:

Grant date	**28 March 2013**	**11 November 2013** Lot 1	**11 November 2013** Lot 2
Share price	HK$0.087	HK$0.095	HK$0.095
Exercise price	HK$0.1084	HK$0.100	HK$0.1000
Expected volatility	56.94%	59.29%	59.29%
Risk-free rate	0.52%	1.00%	1.00%
Expected dividend yield	—	—	—
Exercisable period	5 years	5 years	5 years
Exercise multiple	2.8	2.8	2.2
Fair value per option	HK$0.03528	HK$0.04431	HK$0.04133

The details of the fair value per option for options granted during the year ended 31 December 2013 were set out below:

	Number of options	**Per option value** *HK$*	**Total option value** *HK$'000*
28 March 2013	6,000,000	0.03528	212
11 November 2013 — Lot 1	204,000,000	0.04431	9,039
11 November 2013 — Lot 2	56,600,000	0.04133	2,339
	266,600,000		11,590

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of approximately HK$11,590,000 for the year ended 31 December 2013 in relation to share options granted under the 2012 Option Scheme.

2002 Option Scheme

The Company has a share option scheme which was adopted on 26 June 2002 ("2002 Option Scheme") whereby the Directors may, at their discretion, invite directors and employees of the Company or its subsidiaries to subscribe for shares in the Company subject to terms and conditions stipulated therein. The options granted were vested immediately at the date of grant and were exercisable within a period of five years. Each option gives the holder the right to subscribe for one ordinary share in the Company.

42. SHARE OPTION SCHEME *(CONTINUED)*

2002 Option Scheme *(CONTINUED)*

Details of the terms and movements of the share options granted pursuant to the 2002 Option Scheme are as follows:

2013

Category of grantee	Date of grant	Exercise price per share	Expiry date	Number of options: Balance as at 1.1.2013	Granted during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.12.2013
Directors	30.08.2011	HK$0.161	29.08.2016	102,000,000	—	—	—	102,000,000
	29.06.2010	HK$0.208	28.06.2015	79,000,000	—	—	—	79,000,000
	14.10.2008	HK$0.275	13.10.2013	151,000,000	—	(151,000,000)	—	—
Employees	30.08.2011	HK$0.161	29.08.2016	204,300,000	—	—	—	204,300,000
	29.06.2010	HK$0.208	28.06.2015	42,400,000	—	—	—	42,400,000
	14.10.2008	HK$0.275	13.10.2013	81,600,000	—	(81,600,000)	—	—
Other *(Note)*	30.08.2011	HK$0.161	29.08.2016	63,000,000	—	—	—	63,000,000
	29.06.2010	HK$0.208	28.06.2015	6,000,000	—	—	—	6,000,000
	14.10.2008	HK$0.275	13.10.2013	59,000,000	—	(59,000,000)	—	—
				788,300,000	—	(291,600,000)	—	496,700,000
Exercisable at the end of the year								496,700,000
Weighted average exercise price (HK$)				0.211	—	0.275	—	0.173

2012

Category of grantee	Date of grant	Exercise price per share	Expiry date	Number of options: Balance as at 1.1.2012	Granted during the year	Exercised during the year	Cancelled during the year	Balance as at 31.12.2012
Directors	30.08.2011	HK$0.161	29.08.2016	102,000,000	—	—	—	102,000,000
	29.06.2010	HK$0.208	28.06.2015	79,000,000	—	—	—	79,000,000
	14.10.2008	HK$0.275	13.10.2013	151,000,000	—	—	—	151,000,000
Employees	30.08.2011	HK$0.161	29.08.2016	204,300,000	—	—	—	204,300,000
	29.06.2010	HK$0.208	28.06.2015	42,400,000	—	—	—	42,400,000
	14.10.2008	HK$0.275	13.10.2013	81,600,000	—	—	—	81,600,000
Other *(Note)*	30.08.2011	HK$0.161	29.08.2016	63,000,000	—	—	—	63,000,000
	29.06.2010	HK$0.208	28.06.2015	6,000,000	—	—	—	6,000,000
	14.10.2008	HK$0.275	13.10.2013	59,000,000	—	—	—	59,000,000
				788,300,000	—	—	—	788,300,000
Exercisable at the end of the year								788,300,000
Weighted average exercise price (HK$)				0.211	—	—	—	0.211

42. SHARE OPTION SCHEME *(CONTINUED)*

2002 Option Scheme *(CONTINUED)*

Note:

Other represented share options held by former director or employee or consulting firm of the Group. The share options remain exercisable until the expiry date. The estimate of the fair value of the share options granted is measured based on Binomial Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Option Pricing Model.

There are no share options cancelled or exercised and 291,600,000 share options have been lapsed during the year ended 31 December 2013 (2012: Nil).

The inputs into the model as of grant date were as follows:

Grant date	14 October 2008	29 June 2010	30 August 2011
Share price	HK$0.275	HK$0.200	HK$0.161
Exercise price	HK$0.275	HK$0.208	HK$0.161
Expected volatility	67.12%	86.88%	73.94%
Risk-free rate	1.54%	1.613%	0.79%
Expected dividend yield	—	—	—
Exercisable period	5 years	5 years	5 years
Fair value per option	HK$0.1144	HK$0.0997	HK$0.0806

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

43. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank borrowings and other borrowings disclosed in Notes 31 and 32 respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and risks associates with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of the existing debt.

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Available-for-sale investments	**69,818**	128,149
Loans and receivables		
Trade and other receivables	**67,767**	87,164
Other non-current financial assets	**7,610**	—
Short-term loan and loan interest receivables	**—**	17,084
Bank balances and cash	**118,555**	117,073
	193,932	221,321
	263,750	349,470
Financial liabilities		
Liabilities measured at amortised cost		
Trade and other payables	**271,777**	269,283
Bank borrowings	**107,806**	67,496
Other borrowings	**6,710**	6,492
Other long-term payables	**42,061**	53,912
Non-redeemable convertible preference shares	**53,125**	52,702
	481,479	449,885

(b) Financial risk management objectives and polices

The Group's major financial instruments include available-for-sale investments, other non-current financial assets, trade and other receivables, short-term loan and loan interest receivables, bank balances and cash, trade and other payables, other borrowings, bank borrowings, non-redeemable convertible preference shares and other long-term payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, and certain trade and other receivables, bank balances, available-for-sale investments, bank borrowings and non-redeemable convertible preference shares are denominated in foreign currencies, which expose the Company to foreign currency risk.

44. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and polices *(CONTINUED)*

Market risk *(CONTINUED)*

(i) Currency risk *(CONTINUED)*

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

	Liabilities		**Assets**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States dollars ("USD")	**—**	—	**20,263**	—
Hong Kong dollars ("HK$")	**3,213**	11,698	**4,521**	5,312
CAD	**—**	—	**69,819**	128,149

Sensitivity analysis

The Group is mainly exposed to the USD, HK$ and CAD.

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in RMB against the relevant foreign currencies. A 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2012: 5%) change in foreign currency rates.

A negative number (i.e. in bracket)/positive number below indicate an increase/decrease in pre-tax loss where RMB strengthen 5% (2012: 5%) against the relevant currency. For a 5% (2012: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

	USD impact		**HK$ impact**		**CAD impact**	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Increase in pre-tax loss	**(1,013)**	—	**(65)**	319	**(3,491)**	(6,407)

USD, HK$ and CAD denominated transactions are with lower transaction volumes in the last quarter of the financial year, which results in a reduction in USD, HK$ and CAD denominated assets at year end.

44. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and polices *(CONTINUED)*

Market risk *(CONTINUED)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowings (see Note 32 for details of these borrowings) and liability component of non-redeemable convertible preference shares (see Note 37 for details of these shares). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see Note 31 for details of these borrowings). It is the Group's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to balance the fair value and cash flow interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of lending rate of PBOC arising from the Group's RMB denominated bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings at the end of each reporting period. The analysis is prepared assuming these borrowings outstanding at the end of reporting period were outstanding for the whole year. A 50 basis point (2012: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For bank balances, management is of the opinion that the impact of interest rates risk is insignificant. Accordingly, no sensitivity analysis is presented.

If interest rates had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the Group's pre-tax loss for the year ended 31 December 2013 would increase/decrease by approximately HK$539,000 (2012: HK$337,000).

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments issued by three entities listed in TSE for both year ended 2013 and 2012. In addition, the Group will monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

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

If the prices of the respective equity instruments had been 10% (2012: 10%) higher/lower:

- pre-tax loss for the year ended 31 December 2013 would increase by approximately HK$6,982,000 (2012: HK$12,814,000) as a result of the changes in fair value of held-for-trading investments; and

- investment valuation reserve would decrease by approximately HK$6,982,000 (2012: increase/decrease by approximately HK$12,814,000) for the Group as a result of the changes in fair value of available-for-sale investments.

44. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and polices *(CONTINUED)*

Operational risk

During 2012, the Group's exposure to operational risk is primarily attributable to heavy reliance on Dongbei Steel Group Company Limited ("Dongbei Steel"), the major customer of the Group in the PRC, for the molybdenum segment who accounted for approximately HK$25,370,000 or 11% of the Group's total revenue for the year ended 31 December 2012. During 2013, Dongbei Steel did not contribute any revenue to the Group and repaid more than half of the receivables by direct bank payment and bill payment. The Group reduced the reliance on Dongbei Steel. The Directors will continue closely monitoring the performance and financial position of Dongbei Steel to avoid any adverse impact on the Group's financial position.

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the Directors have reviewed the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment loss are made to irrecoverable amounts.

In respect of mining operations, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 90 days from the date of billing. Billings to customers are normally made immediately after the date of delivery. Overseas customers are required to settle in cash on delivery. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Normally, the Group does not obtain collateral from customers.

Dongbei Steel is the Group's major customer in molybdenum segment and its respective trade receivable is approximately HK$23,636,000 (2012: HK$54,852,000) or 66% (2012: 74%) of the total trade receivables as at 31 December 2013. Hence, the Group is exposed to credit risk arising from dependency on Dongbei Steel.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and on trade receivable due from Dongbei Steel, the Group does not have any other significant concentration of credit risk. The remaining trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group had incurred loss of approximately HK$344,900,000 (2012: approximately HK$120,233,000) for the year ended 31 December 2013 and had a net current liabilities of approximately HK$21,594,000 (2012: net current assets of approximately HK$51,573,000) as at 31 December 2013.

The adoption of going concern basis has been detailed in Note 2 to the consolidated financial statements. In the opinion of the Directors, the Group's exposure to liquidity risk is limited.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate as at the end of the reporting period. The table includes both interest and principal cash flows.

44. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and polices *(CONTINUED)*

Liquidity risk *(CONTINUED)*

Liquidity tables

	Weighted average interest rate %	Repayable on demand or within 1 year *HK$'000*	1-2 years *HK$'000*	2-5 years *HK$'000*	More than 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
2013							
Trade and other payables							
— interest bearing	**6.40**	**79,338**	**—**	**—**	**—**	**79,338**	**76,125**
— non-interest bearing	**—**	**195,652**	**—**	**—**	**—**	**195,652**	**195,652**
Other long-term payables	**6.40**	**—**	**23,244**	**22,189**	**—**	**45,433**	**42,061**
Bank borrowings	**6.66**	**112,536**	**—**	**—**	**—**	**112,536**	**107,806**
Other borrowings							
— interest bearing	**2.55**	**2,046**	**656**	**1,882**	**2,315**	**6,899**	**5,442**
— non-interest bearing	**—**	**1,268**	**—**	**—**	**—**	**1,268**	**1,268**
		390,840	**23,900**	**24,071**	**2,315**	**441,126**	**428,354**

	Weighted average interest rate %	Repayable on demand or within 1 year *HK$'000*	1-2 years *HK$'000*	2-5 years *HK$'000*	More than 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
2012							
Trade and other payables							
— interest bearing	6.8	65,823	—	—	—	65,823	60,444
— non-interest bearing	—	208,839	—	—	—	208,839	208,839
Other long-term payables	6.80	—	42,354	20,975	—	63,329	53,912
Bank borrowings	6.44	68,999	—	—	—	68,999	67,496
Other borrowings							
— interest bearing	2.55	930	648	3,035	1,660	6,273	5,265
— non-interest bearing	—	1,227	—	—	—	1,227	1,227
		345,818	43,002	24,010	1,660	414,490	397,183

The table above does not include non-redeemable convertible preference shares which have no maturing date. However, interest payment of HK$7,930,000 is required to pay in each of the coming years until the non-redeemable convertible preference shares are converted.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change of changes in variable interest rate different to those estimates of interest rates determined at the end of the reporting period.

44. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value measurements of the financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity securities classified as available-for-sale investments in the consolidated statement of financial position	**Asset-approximately HK$69,819,000**	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1, 2 and 3 in current and prior year.

The Directors consider that the carrying amounts of other financial assets and financial liabilities in the consolidated financial statements approximate their fair value.

45. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2013	2012
	HK$'000	*HK$'000*
Short-term benefits	**9,882**	9,196
Retirement benefits contributions	**396**	351
Share-based payments	**9,251**	—
	19,529	9,547

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the financial performance of the Group, performance of individuals and market trends.

46. LITIGATION

As disclosed in the announcement of the Company dated 8 November 2011, the Company has received a writ of summons issued by the High Court of Hong Kong Special Administrative Region on 8 November 2011 (the "Writ") pursuant to which Mr. Lin Min and Fujian Yuansheng Foods Industry Co. Ltd. ("Fujian Yuansheng") (named as the plaintiffs in the writ) alleged that, amongst other things, the Company and 27 other co-defendants and/or certain PRC government officials had acted in conspiracy in obtaining ownership and control of certain assets of the plaintiffs and they were claiming for, amongst other things, damages from all 28 defendants jointly and severally in the total amount of RMB1,589,000,000.

As the Company has not obtained any interests in Fujian Yuanshen and is seeking legal advice in response the Writ, in the opinion of the Directors, the possible of an outflow of resources embodying economic benefit is remote.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE GROUP

Details of the Group's principal subsidiaries as at 31 December 2013 are set as follows:

Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
New Legend International Group Limited	Hong Kong/ Hong Kong	1 share of HK$1	100	100	—	Provision of administrative support to group companies
Titanspeed Investments Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100	100	—	Inactive
Best Tone Holdings Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100	100	—	Investment holding
Will Win Group Limited	Hong Kong/ Hong Kong	1 share of HK$1	100	100	—	Investment holding
Harbin Songjiang Copper (Group) Company Limited# (哈爾濱松江銅業（集團）有限公司)	The PRC/ The PRC	RMB240,788,100	75.08	75.08	—	Sales of molybdenum and other nonferrous metals
Harbin Songjiang Molybdenum Ltd.# (哈爾濱松江鉬業有限公司)	The PRC/ The PRC	RMB128,782,900	75.08	—	100	Mining, processing and sales of molybdenum
Shangzhi Zhuhe Mining Co. Ltd.# (尚志市珠河礦業有限公司)	The PRC/ The PRC	RMB50,000,000	75.08	—	100	Inactive
New Victor Investment Limited	Hong Kong/ Hong Kong	10,000 shares of HK$1 each	100	—	100	Inactive
King Gold Investments Limited	British Virgin Islands/ Hong Kong	100 shares of US$1 each	80	80	—	Investment holding
Desire Star Hong Kong Limited	Hong Kong/ Hong Kong	100 shares of HK$1 each	80	—	100	Investment holding
Wuyi Star Tea Industrial Co., Ltd.# (武夷星茶業有限公司)	The PRC/ The PRC	RMB109,000,000	80	—	100	Production and sales of tea products
China Dahongpao Tea Industrial Company Limited	Hong Kong/ Hong Kong	10,000 shares of HK$1 each	80	—	100	Inactive

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE GROUP *(CONTINUED)*

			Proportion of ownership interest			
Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Fortune Sharp Limited	British Virgin Islands/ Hong Kong	1 share of US$1	80	—	100	Trading of tea products
Famous Class Limited	British Virgin Islands/ Hong Kong	50,000 shares of US$1 each	100	100	—	Investment holding
Year Joy Investments Limited	British Virgin Islands/ Hong Kong	100 shares of US$1 each	70	—	70	Investment holding
Top Delight Investments Limited	Hong Kong/ Hong Kong	1 share of HK$1	70	—	100	Investment holding
Beijing Nian Yue Technology Co., Ltd.# (北京年悅科技有限公司)	The PRC/ The PRC	RMB1,000,000	70	—	100	Provision of technical support and consulting services
China iTV Network Co., Ltd.# (九州時代數碼科技有限公司)	The PRC/ The PRC	RMB50,000,000	Note	—	—	Provision of online video services
Power Crown Limited	Hong Kong/ Hong Kong	10,000 shares of HK$1 each	80	—	100	Inactive

None of the subsidiaries had issued any debt securities during the year and at the end of the year.

Note:

The Group holds 70% of controlling interest in this subsidiary through special arrangements.

A limited liability company established in the PRC

48. FINANCIAL SUMMARY OF THE COMPANY

(a) Assets and Liabilities

	2013 HK$'000	2012 HK$'000
Non-current assets		
Investments in subsidiaries	**139,000**	329,000
Amount due from a subsidiary *(Note a)*	**—**	—
Property, plant and equipment	**65**	110
	139,065	329,110
Current assets		
Amounts due from subsidiaries	**10**	299
Other receivables	**2,639**	2,468
Bank balances and cash	**21,440**	57,661
	24,089	60,428
Current liabilities		
Other payables	**2,887**	11,452
Amount due to a subsidiary *(Note a)*	**47,621**	47,501
	50,508	58,953
Net current (liabilities) assets	**(26,419)**	1,475
Total assets less current liabilities	**112,646**	330,585
Non-current liability		
Non-redeemable convertible preference shares	**53,125**	52,702
	59,521	277,883
Capital and reserves		
Share capital	**913,878**	913,878
Reserves *(Note b)*	**(854,357)**	(635,995)
	59,521	277,883

Notes:

(a) The amount due from (to) a subsidiary is unsecured, non-interest bearing and repayable on demand.

48. FINANCIAL SUMMARY OF THE COMPANY *(CONTINUED)*

(b) Reserves

	Share premium HK$'000	Non-redeemable convertible preference shares HK$'000 (Note 37)	Share options reserve HK$'000 (Note 42)	Translation reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
At 1 January 2012	3,192,267	684,321	75,839	35,509	(3,720,416)	267,520
Loss and total comprehensive expense for the year	—	—	—	—	(903,515)	(903,515)
At 31 December 2012 and 1 January 2013	3,192,267	684,321	75,839	35,509	(4,623,931)	(635,995)
Loss and total comprehensive expense for the year	—	—	—	—	(229,952)	(229,952)
Lapsed of share options	—	—	(33,372)	—	33,372	—
Grant of Share options	—	—	11,590	—	—	11,590
At 31 December 2013	**3,192,267**	**684,321**	**54,057**	**35,509**	**(4,820,511)**	**(854,357)**

49. EVENT AFTER THER REPORTING PERIOD

Subsequent to the end of the reporting period, the following events took place:

(a) The Group obtained new bank loans of RMB20,000,000 in January 2014 by Wuyi Star; and

(b) Pursuant to the Deed of Undertaking of 27 March 2014 from the Substantial Shareholder, the Substantial Shareholder agreed 1) to provide financial support to the Company until the Company has sufficient funds to meet its operations and to pay financial obligations as they fall due for the period from 27 March 2014 to 31 March 2015; 2) to use the Shares and/or converting the Shares to procure loan facilities which will make available to the Company in meeting the Company's operation requirements; and 3) not to pledge and/or dispose of the Shares to any other parties other than the purpose as stated in item 2 above for the period from 27 March 2014 to 31 March 2015.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)	(Restated)
RESULTS					
Revenue					
Continuing operations	**186,585**	221,646	241,649	327,775	218,626
Discontinued operations	**—**	—	—	14,152	31,477
	186,585	221,646	241,649	341,927	250,103
(Loss) profit for the year attributable to:					
Owners of the Company	**(311,048)**	(110,858)	82,109	(1,749,676)	(321,876)
Non-controlling interests	**(33,852)**	(9,375)	92,808	(2,863)	(79,479)
	(344,900)	(120,233)	174,917	(1,752,539)	(401,355)

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Restated)
ASSETS AND LIABILITIES					
Total assets	**741,600**	997,022	1,135,415	1,416,057	1,969,445
Total liabilities	**(733,580)**	(669,391)	(656,548)	(916,790)	(1,020,113)
	8,020	327,631	478,867	499,267	949,332
Represented by:					
Equity attributable to owners of the Company	**(148,884)**	139,713	284,037	420,660	864,504
Non-controlling interests	**156,904**	187,918	194,830	78,607	84,828
	8,020	327,631	478,867	499,267	949,332