



North Mining Shares Company Limited

北方礦業股份有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 433)

Annual Report 2013



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Gao Yuan Xing (*Chairman and Chief Executive Officer*)
Qian Yi Dong (*Deputy Chairman*)
Zhang Jia Kun

Independent Non-executive Directors

Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy

COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

Yuen Wing Kwan

AUDIT COMMITTEE

Mu Xiangming (*Chairman*)
Cheng Chak Ho
Lo Wa Kei Roy

REMUNERATION COMMITTEE

Lo Wa Kei Roy (*Chairman*)
Cheng Chak Ho
Qian Yi Dong

AUDITORS

Elite Partners CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Citibank
Standard Chartered Bank (Hong Kong) Limited
HSBC
CITIC Ka Wah Bank Limited
Wing Hang Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 3609–10, 36/F
China Resources Building
No. 26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LISTING INFORMATION

Stock Code: 433, Hong Kong

WEBSITE

www.northmining.com.hk



OVERALL FINANCIAL PERFORMANCE

Five years after the financial crisis, the global economy still kept low growth due to various political and economic factors. For the molybdenum market in 2013, there was no significant improvement in the operation of the molybdenum market. The overall market trend went slightly downwards amid fluctuations and adjustments.

During the year under review, the Group recorded a turnover of approximately HK\$158,524,000, representing a decrease of approximately 57% over 2012 (2012: approximately HK\$369,702,000). Turnover attributable to mining business operations, which is the Group's major operation, amounted to approximately HK\$148,207,000 (2012: approximately HK\$363,151,000), represents approximately 93% (2012: 98%) of the Group's total turnover for the year then ended. For the year ended 31 December 2013, the Group recorded a profit attributable to owners of the Company of approximately HK\$194,012,000 (2012: loss of approximately HK\$852,471,000), representing an increase of HK\$1,046,483,000 as compared to that of year ended 31 December 2012. The increase in profit is mainly due to the fair value gain of financial liabilities designated as at fair value through profit or loss ("financial liabilities designated as at FVTPL") which amounted to approximately HK\$470,208,000 (2012: loss of approximately HK\$624,009,000).

BUSINESS REVIEW

The principal activities of the Group are (i) mining operations — exploitation, exploration and trading of mineral resources and (ii) property management operations. An analysis of each of these business segments is presented below:

(i) Mining Operations — Exploitation and Exploration and Trading of Mineral Resources

Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited* ("Jiu Long Kuang Ye") (陝西省洛南縣九龍礦業有限公司)

During the year under review, the volume of molybdenum concentrate produced by the molybdenum mine operated by Jiu Long Kuang Ye was about 4,716 tonnes (2012: 3,946 tonnes). The sales volume of molybdenum concentrate was about 1,872 tonnes (2012: 5,412 tonnes). The grade of molybdenum concentrate was approximately 42%–45%. The average selling price of molybdenum concentrate was about HK\$65,281 per tonne (2012: HK\$63,851). During the year under review, Jiu Long Kuang Ye contributed revenue of approximately HK\$148,207,000 (2012: approximately HK\$363,151,000) to the Group. The cost of sales was approximately HK\$127,040,000 (2012: approximately HK\$335,223,000). Gross profit amounted to approximately HK\$21,167,000 (2012: approximately HK\$27,928,000) and the profit margin was 14.28% (2012: 7.69%), representing a increase of approximately 6.59% (2012: 24.31%). The increase in profit margin was mainly due to increase in sales of a by-product in addition to molybdenum concentrate in 2013 when compared with 2012. For the year ended 31 December 2013, the operating result of Jiu Long Kuang Ye include an amortization of mining rights of approximately HK\$98,227,000 (2012: HK\$84,066,000) and impairment loss on mining rights of approximately HK\$18,461,000 (2012: HK\$299,582,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors hired an independent professional valuation firm to determine the value in use of the Company's mining operation and the basis of Discount Cash Flow valuation method (the "DCF") has been used in the valuation. The sources and inputs of such DCF mainly consist of (i) sales of molybdenum concentrate and (ii) major operating expenses. The assumptions used in forecasting the (i) sales of molybdenum concentrate are the average molybdenum price over the past years, supported by the corresponding molybdenum production plan while that of (ii) major operating expenses are determined based on actual daily operating expenditures, taking into account management's best estimate of future cash outflow including changes in working capital and the incremental capital expenditure foreseeable to be incurred. In the opinion of the Directors of the Company, such adopted DCF method would best reflect the value in use of the Company's mining operation. During the year, there is no change in valuation method used and the Directors have consensus to adopt a consistent valuation methodology and accounting policy in accounting for such mining operation over time given that no fundamental changes in the mining industry and such external environment will occur. The discount rate used for the above DCF projections is formulated by the Weighted Average Cost of Capital ("WACC"). The WACC included two major components which are cost of equity and cost of debt. The cost of equity is determined by assessing key assumptions of (i) market risk premium and (ii) beta coefficient. The WACC adopted is 12.45%. The value in use as derived was amounted to approximately HK\$1,956,000,000 which is lower than the carrying amount of mining right that amounted to approximately HK\$1,974,461,000. As a result, the Directors concluded that impairment on such mining right is provided at approximately HK\$18,461,000 for the year ended 31 December 2013.

(ii) Property management operations

For the year ended 31 December 2013, the turnover generated from the property management operation was approximately HK\$6,850,000 (2012: HK\$6,551,000), representing a growth of approximately 4.56% (2012: 25.79%). The operation of property management during the year of 2013 was fairly stable.

Other Business

Associates

Jilin Province Rui Sui Kuang Ye Company Limited* ("Rui Sui Kuang Ye") (吉林省瑞穗礦業有限公司)

On 17 December 2013, Golden Finance Company Limited ("Golden Finance"), a wholly owned subsidiary of the Company, has entered into a disposal agreement in relation to the disposal of 25% of the entire issued share capital of Rui Sui Kuang Ye (the "Sale Shares") and the shareholder's loan due from Rui Sui Kuang Ye to Golden Finance of approximately HK\$58,000,000 at an aggregate consideration of HK\$500,000,000. The Consideration was satisfied by way of promissory note which is secured by the Sale Shares.

Other Financial Assets

As at 31 December 2013, the Group had four promissory notes, namely Ding Jin Promissory Note, Rui Sui Promissory Note, Yi Tong Promissory Note and Bai Shan Promissory Note, details of which are set out below:

MANAGEMENT DISCUSSION AND ANALYSIS



Ding Jin Promissory Note

During the year ended 31 December 2011, the Group entered into a subscription agreement with Shaanxi Ding Jin Mining Company Limited (“Ding Jin”), the Issuer, pursuant to which the Group is eligible to subscribe for the promissory notes issued by Ding Jin. The principal amount of the promissory notes was HK\$500 million and carried at interest of HK\$100 million, payable on the maturity date, which is 5 years from subscription.

Rui Sui Promissory Note

During the year ended 31 December 2012, the Group disposed of 26% equity interests in Rui Sui, for an aggregate consideration of HK\$600 million, which was satisfied by a promissory notes issued by the purchaser with maturity date of 3 years from the issue date of the promissory notes.

Yi Tong Promissory Note

During the year ended 31 December 2012, the Group disposed of 70% equity interests in Heilongjiang Yi Tong Mining Company Limited at a consideration of HK\$230 million, of which approximately HK\$46 million was settled by cash and approximately HK\$184 million was settled by issuance of the promissory note issued by the purchaser with maturity date of 3 years from the issue date of the promissory notes.

Bai Shan Promissory Note

During the year ended 31 December 2013, the Group disposed of 25% of the entire equity interest in Rui Sui Kuang Ye for an aggregate consideration of HK\$500,000,000 which was satisfied by a promissory note receivable with a face value of HK\$500 million issued by the purchaser. The maturity date is 3 years from the issue date of the promissory notes.

Contingent assets

During the year under review, the Group received dividend of approximately HK\$11,276,000 from Xian Communication University Second Affiliated Middle School Southern District. The transfers of land and property rights are still being processed. The school was a compensation asset receivable as a result of a fraud transaction taken by a minority shareholder of the Group’s subsidiary who had surrendered a property development project held by the Group to Xian Government without the Company’s knowledge or consent in previous years.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

According to the economic prediction of the International Monetary Fund, the global GDP growth in 2014, is expected to grow slightly from 2.8% in 2013 to 3.1%. Since the outbreak of the financial crisis, the oversupply in the domestic molybdenum market persisted due to the increase in the production volume of molybdenum concentrates and the accumulation in stock. However, the PRC molybdenum industry started destocking since last year which relieved the oversupply pressure to a certain extent. Therefore, the Company expects that the demand of molybdenum can be kept slight growth and the price decline in the molybdenum market will be limited in 2014.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow. During the year under review, the Group recorded a major cash inflow of approximately HK\$124,700,000 (2012: inflow of approximately HK\$344,196,000) which was mainly arising from the placing of 430,000,000 new Shares at a price of HK\$0.29 per Share and the issue of the convertible notes in the amount of HK\$252,000,000. In 2011, the Company entered into a convertible note option agreement, pursuant to which the Company has the right to request the potential subscribers to subscribe for the convertible notes to be issued by the Company for cash up to HK\$754,000,000. Details were disclosed in the Company's announcement dated 19 July 2011. With the amounts of cash on hand amounted to approximately HK\$44,907,000 as at 31 December 2013 (2012: approximately HK\$368,501,000), together with the proposed convertible notes which may be issued at the option of the Company, the Board considered that the Group's liquidity position is healthy.

As at 31 December 2013, the Group had outstanding bank borrowings in the amount of approximately HK\$114,094,000 (2012: approximately HK\$94,611,000). The Group's gearing ratio as at 31 December 2013 was approximately 6.4% (2012: 2.9%). The increase in gearing ratio was mainly due to the increase in interest bearing bank borrowings during the year. The Board considered that the gearing ratio remains at low level compared to equity attributable to owners of the Company and that the Group is of good liquidity. As at 31 December 2013, the Group's current ratio was approximately 1.06 (2012: approximately 0.6). The increase in current ratio was mainly due to the increase in current assets in the Group's mining operation during the year under review. As at 31 December 2013, the Group's debt to equity ratio was approximately 0.41 (2012: approximately 0.59). The decrease in debt to equity ratio was mainly due to the increase in reserves during the year under review. The ratio was calculated by dividing the total liabilities of approximately HK\$1,290,414,000 (2012: approximately HK\$1,652,615,000) by equity attributable to owners of the Company of approximately HK\$3,143,071,000 (2012: approximately HK\$2,782,507,000). Overall, the Board believes that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.



CAPITAL STRUCTURE AND TREASURY POLICIES

Capital Structure

The Group's capital structure as at 31 December 2013 mainly comprised of current assets of approximately HK\$821,819,000 (2012: approximately HK\$652,204,000), current liabilities of approximately HK\$772,453,000 (2012: approximately HK\$1,047,140,000) and equity attributable to owners of the Company of approximately HK\$3,143,071,000 (2012: approximately HK\$2,782,507,000). Current assets mainly comprised of cash and cash equivalents of approximately HK\$44,907,000 (2012: approximately HK\$368,501,000), inventories of approximately HK\$212,906,000 (2012: approximately HK\$104,813,000) and prepayments, deposits and other receivables of approximately HK\$522,127,000 (2012: approximately HK\$115,609,000). Current liabilities mainly comprised of borrowings of approximately HK\$231,498,000 (2012: approximately HK\$94,611,000), trade payables of approximately HK\$68,162,000 (2012: approximately HK\$115,602,000), accruals and other payables of approximately HK\$140,586,000 (2012: approximately HK\$112,823,000), other financial liabilities of approximately HK\$176,801,000 (2012: HK\$647,009,000) environmental resources tax of approximately HK\$76,147,000 (2012: nil) and amounts due to related parties of approximately HK\$59,750,000 (2012: HK\$67,577,000).

Convertible Note Option Agreement

2011 CN Option Agreement

As disclosed in the announcement of the Company dated 19 July 2011, the Company, as the issuer, entered into the Convertible Note Option Agreement ("2011 CN Option Agreement") with the potential subscribers. The CN Option (as defined in the announcement) entitled the Company to require each potential subscriber to, and the potential subscriber are also entitled to, fully or partially subscribe for the convertible notes ("2011 Convertible Notes") as agreed under the 2011 CN Option Agreement within three years ending on 19 July 2014. If all of the CN Option are issued and validly exercised, the Company will issue an aggregate principal amount of up to HK\$754,000,000 of 2011 Convertible Notes. Assuming the conversion rights attached to the 2011 Convertible Notes are exercised in full at the conversion price of HK\$0.29, a total of 2,600,000,000 conversion shares (the "Conversion Shares") will be allotted and issued, representing approximately 18.57% of the then issued share capital of the Company and approximately 15.66% of the entire issued share capital when all the Conversion Shares are allotted and issued.

On 28 March 2013, one of the potential subscribers of the 2011 Convertible Notes partially subscribed for the 2011 Convertible Notes in the amount of HK\$124,700,000. This subscriber exercised the conversion rights attaching to the abovementioned Convertible Notes on 15 April 2013 and 430,000,000 Conversion Shares have been allotted to this subscriber.

Treasury Policies

During the year ended 31 December 2013, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. It is the Group's treasury policy to manage its foreign currency exposure whenever such financial impact is material to the Group. For the year ended 31 December 2013, the Group did not employ any financial instruments for hedging purpose and was not engaged in foreign currency speculative activities.

MANAGEMENT DISCUSSION AND ANALYSIS

BANK BORROWING AND CHARGES OF GROUP ASSETS

As at 31 December 2013, the Group had bank borrowings amounted to approximately HK\$114,094,000 (2012: HK\$94,611,000). As at 31 December 2013, the Group's interest-bearing bank loans were carried at effective interest rates from 6.6% to 10.95% per annum and were secured by (i) the molybdenum concentrate as included in inventories amounted to 3,147 tons; (ii) personal guarantee from a subsidiary of the Group and the subsidiary's director; (iii) corporate guarantee provided by an independent guarantee company with a counter-guarantee of property, plant and equipment provided by the Group's subsidiary; (iv) personal guarantee from the subsidiary's minority shareholders.

CONTINGENT LIABILITIES

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

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2013, the Group employed 540 full time employees (2012: 689 employees). Employees remuneration packages are structured and reviewed with reference to the nature of the jobs, market condition and individual merits. The Group also provides other employee benefits including year-end double pay, mandatory provident fund and medical insurance.

BIOGRAPHICAL DETAILS OF DIRECTORS



EXECUTIVE DIRECTORS

Mr. Gao Yuan Xing, aged 59, was appointed as the Chairman of the Board, the Chief Executive Officer and an Executive Director of the Company on 15 March 2011. Mr. Gao has completed the course of Senior Manager Class in Shanghai Institute of Foreign Trade. He has abundant experience in energy management, and worked in the foreign affairs office of Shanghai Municipal Government for many years. Mr. Gao had also been senior management in a number of international, mainland investment and commercial companies.

Mr. Qian Yi Dong, aged 28, was appointed as an Executive Director of the Company on 15 March 2011 and was then appointed as the Deputy Chairman of the Board on 21 April 2011. He is also currently a director of certain subsidiaries of the Company. Mr. Qian graduated from Beijing Normal University Zhuhai majored in electronic commerce. He is also a director of Universal Union Limited and China Wan Tai Group Limited, the controlling shareholders of the Company.

Mr. Zhang Jia Kun, aged 66, was appointed as an Executive Director of the Company on 14 August 2009, and is also currently a director of certain subsidiaries of the Company. He graduated from Shanghai Education College and Shanghai Business College where he majored in professional mathematics and financial management respectively. He has extensive experience in financial management. Currently, he is the general manager of finance of Wan Tai Group Limited and the legal representative and chairman of the Company's wholly-owned subsidiary Shanghai Yuan Bei Trading Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mu Xiangming, aged 58, was appointed as an Independent Non-executive Director of the Company on 20 April 2001. He is also the Chairman of the Audit Committee of the Company. Mr. Mu graduated from Fudan University (Shanghai) Law School with an L.L.B. and from University of Oregon (USA) Law School with an L.L.M. Mr. Mu had been a member of Shanghai Municipal Government Foreign Economic Trade Committee from 1983 to 1986 and a practicing lawyer in a US law firm for nearly four years. He is now a partner of a law firm in Shanghai, the PRC.

Dr. Cheng Chak Ho, aged 44, was appointed as an Independent Non-executive Director of the Company on 12 April 2001. Dr. Cheng obtained a Bachelor of Science in Building, a Master degree in Urban Design from the University of Hong Kong. He has over 23 years' experience in property development, property investment, valuation and corporate finance. Among others, Dr. Cheng is a Fellow of: Institute of Public Accountants, The Royal Society of Medicine, The Hong Kong Institute of Directors, The Society of Operations Engineers, and Institution of Plant Engineers.

Mr. Lo Wa Kei Roy, aged 42, was appointed as Independent Non-executive Director of the Company on 25 September 2004. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (Practicing), a member of Institute of Chartered Accountants in England and Wales and a fellow member of CPA Australia. Mr. Lo has over 20 years experience in auditing, accounting and finance. In addition, he was an independent non-executive director of Goldpoly New Energy Holdings Limited, he is currently an independent non-executive director of Sun Hing Vision Group Holdings Limited, China Zhongwang Holdings Limited and Sheen Tai Holdings Group Company Limited, all companies listed on The Stock Exchange of Hong Kong Limited.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are mining operations — exploitation and exploration, trading of mineral resources, property leasing operations and property management operations. Details of the Group's principal subsidiaries are set out in Note 18 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Note 7 to the consolidated financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2013 and the state of the Company's and the Group's affairs as at 31 December 2013 are set out in the consolidated financial statements on pages 28 to 32.

The cashflows of the Group are set out in the consolidated financial statements on pages 34 to 35.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013 (2012: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the Group's single largest customer and supplier accounted for approximately 37% (2012: 35%) and 22% (2012: 20%) respectively, of the Group's total operating revenue and cost of sales. The Group's five largest customers and suppliers accounted for approximately 69% (2012: 77%) and 38% (2012: 30%) of the Group's total operating revenue and cost of sales respectively.

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

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 33 and Note 26 to the consolidated financial statements.



DISTRIBUTABLE RESERVE

Details of the amount of the Company's reserve distributable to shareholders as at 31 December 2013 are set out in Note 26 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

The particulars of the Company's principal subsidiaries as at 31 December 2013 are set out in Note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in Note 25 to the consolidated financial statements.

CHANGES IN THE INFORMATION OF DIRECTORS

During the year ended 31 December 2013, there was no change in the information of Directors.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2013.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Gao Yuan Xing (*Chairman and Chief Executive Officer*)

Qian Yi Dong (*Deputy Chairman*)

Zhang Jia Kun

Zhao Qing (resigned on 6 January 2013)

Non-executive Director

Fan Wei Guo (resigned on 1 March 2013)

Independent Non-executive Directors

Mu Xiangming

Cheng Chak Ho

Lo Wa Kei Roy

In accordance with the Company's bye-laws 87(1) and (2), Mr. Zhang Jia Kun and Mr. Lo Wa Kei Roy will retire from office by rotation, and both of them being eligible, offer themselves for re-elections at the forthcoming annual general meeting.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 25 May 2011, the Company adopted the share option scheme (the "Share Option Scheme"). A summary of the Share Option Scheme is as follows:

(1) Purposes of the Share Option Scheme

The principal purposes of the Share Option Scheme are to enable the Group and any entity in which the Group holds any equity interest ("Invested Entity") to recruit and retain high calibre persons and attract human resources that are valuable to the Group or any Invested Entity, to recognise the contributions of the eligible persons to the growth of the Group or any Invested Entity by rewarding them with opportunities to obtain ownership interest in the Company and to motivate and give incentives to these eligible persons to continue to contribute to the long term success and prosperity of the Group or any Invested Entity.

(2) Who may join

Persons who are eligible to the Share Option Scheme ("Eligible Person(s)") are any employee (whether full time or part time), senior executive or officer, manager, director (including executive, non-executive and independent non-executive director) or consultant of the Company, any of its affiliates or any Invested Entity, or any of their respective associates, chief executives, or substantial shareholders, or any person, who, as determined by the Board, have contributed or will contribute to the growth and development of the Group or any Invested Entity.



(3) Total number of shares available for issue

Total number of shares available for issue are 1,300,261,670, representing approximately 10% of the issued share capital of the Company as at the date of the AGM held on 25 May 2011.

(4) Maximum entitlement of each eligible person

The maximum number of shares issued and to be issued upon exercise of the options granted to each Eligible Person under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) in any 12-month period must not exceed one (1) per cent. of the shares in issue.

(5) Maximum entitlement of each eligible person who is a connected person

- (a) each grant of option to an Eligible Person who is a director, chief executive or substantial shareholder of the Company or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive director(s) of the Company (excluding the independent non-executive director who is the grantee of the option); and
- (b) where the Board proposes to grant any option to an Eligible Person who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, and such option, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the past 12-month period up to and including the date of grant:
 - (i) representing in aggregate more than 0.1 per cent. of the total number of Shares in issue; and
 - (ii) having an aggregate value (on the assumption that all such Options had been exercised and all Shares allotted), based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of each grant or, if that date is not a business day, the business day immediately before, in excess of HK\$5,000,000.00,

such further grant of options must be approved by the Shareholders. The Company must send a circular to the Shareholders containing the information required under Rule 17.04 of the Listing Rules. All connected persons of the Company must abstain from voting at their respective general meetings, except that any connected person may vote against the relevant resolution at such general meeting(s) provided that his or her intention to do so has been stated in the circular to be sent to the relevant shareholders. Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

(6) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period within which the option may be exercised, to be notified by the Directors to each Eligible Person who accepts an offer in accordance with the terms of the Share Option Scheme, provided that it shall commence on a date not be more than ten years from the date of grant.

(7) Acceptance of offer

The Eligible Person must accept any such offer notified to him or her within ten (10) business days from the offer date, failing which it shall be deemed to have been rejected. Upon acceptance of the offer, the grantee shall pay HK\$1.00 to the Company as consideration for the grant.

(8) Basis of determining the subscription price

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Board at its absolute discretion and notified to an Eligible Person but shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date; and
- (iii) the nominal value of a Share.

(9) The remaining life of the Share Option Scheme

The Share Option Scheme became effective on 25 May 2011 and will remain in force for a period of 10 years from that date.

The following table discloses the movement of the share options under the Share Option Scheme during the year:

Category of participant	Number of share options				Outstanding as at 31.12.2013	Date of grant	Exercisable period	Exercise price HK\$
	Outstanding as at 01.01.2013	Granted during the year	Exercised during the year	Lapsed during the year				
Consultant	500,000	–	–	500,000	0	26.07.2011	26.07.2011– 25.07.2013	0.355

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2013, none of the Directors or the chief executive of the Company, or any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.



SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As at 31 December 2013, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons had, or was deemed or taken to have, an interest or short position in the shares or underlying shares of the Company:

Name of shareholders	Capacity	Number of shares held	Approximate percentage interest in the issued share capital of the Company
Qian Yong Wei ("Mr. Qian") (Note 1)	Beneficial owner	25,000,000	0.17%
	Held by controlled corporation	4,914,438,552	34.05%
		4,939,438,552	34.22%
Xu Zhe Cheng ("Ms. Xu") (Note 2)	Held by spouse	4,939,438,552	34.22%
China Wan Tai Group Limited ("China Wan Tai") (Note 3)	Held by controlled corporation	4,914,438,552	34.05%
Universal Union Limited ("Universal Union")	Beneficial owner	4,914,438,552	34.05%
Soong Kung Yuan ("Mr. Soong") (Note 4)	Beneficial owner	1,000,000,000	6.93%

Notes:

1. Mr. Qian personally held 25,000,000 shares in the Company, and held 95% interest in China Wan Tai. China Wan Tai held 100% interest in Universal Union. Universal Union held 4,914,438,552 shares in the Company.
2. Ms. Xu is the spouse of Mr. Qian. The interest of Mr. Qian was deemed to be Ms. Xu's interest.
3. These shares are held by Universal Union, a wholly owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr. Qian and Ms. Xu as to 95% and 5% respectively.
4. Pursuant to a placing agreement entered into between the Company as issuer and Mr. Soong as placee on 31 May 2012, the Company has issued and allotted 300,000,000 new Shares to Mr. Soong. Pursuant to the convertible notes option subscription agreement entered into between the Company as an issuer and Mr. Soong as potential subscriber also on 31 May 2012, Mr. Soong subscribed for the convertible notes in the amount of HK\$252,000,000 (the "Convertible Notes") on 3 December 2012 and subsequently exercised in full of the conversion right attached to the Convertible Notes on 17 December 2012, and the Company has issued and allotted a total of 700,000,000 conversion shares to Mr. Soong accordingly.
5. All interests stated above represent long position.

REPORT OF THE DIRECTORS

Save as disclosed above, the Directors and chief executive of the Company were not aware of any persons who, as at 31 December 2013, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or, who was, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

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

The Directors' remuneration for the year is set out in Note 10 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance in relation to the Group's business to which the Company, any of its holding companies or fellow subsidiaries was a party, in which a Director had a material interest, subsisted at the end of the year under review or at any time during the year under review.

RELATED PARTY TRANSACTIONS

Details of the related party transactions during the year are set out in Note 36 to the consolidated financial statements.

COMPETING INTERESTS

The Directors believe that none of the Directors and their respective associates had an interest, directly or indirectly, in a business which competes or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the law of Bermuda.



SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report.

SUMMARY OF FINANCIAL INFORMATION

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 100 of this annual report.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors, namely Mr. Mu Xiangming, Dr. Cheng Chak Ho and Mr. Lo Wa Kei Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee has reviewed the Group's financial statements for the year ended 31 December 2013.

AUDITORS

Elite Partners CPA Limited ("Elite") was appointed as auditors of the Company in 2008, and then retired and was re-appointed at the Company's annual general meeting in 2009 and 2010.

On 22 March 2011, Elite resigned as auditors of the Company and Pan-China (H.K.) CPA Limited ("Pan-China") was appointed as auditors of the Company due to merge of business between Elite and Pan-China. Pan-China retired and was re-appointed at the Company's annual general meeting held on 25 May 2011.

On 28 February 2012, Pan-China resigned as auditors of the Company and Elite was appointed as auditors of the Company. The reason for the above change of auditors is due to the corporate restructuring between Pan-China and Elite. Elite retired and was re-appointed at the Company's annual general meeting in 2012 and 2013.

Elite will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

A resolution for the re-appointment of Elite as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Gao Yuan Xing

Chairman of the Board and Chief Executive Officer

Hong Kong, 25 March 2014

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders.

During the year ended 31 December 2013, the Company had applied the principles of the Corporate Governance Code (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and complied with all the applicable code provisions of the Code, except the following code provision:

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2013, Mr. Gao Yuan Xing performed the roles of the Chairman and the Chief Executive Officer of the Company. In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group's performance could be gravely compromised. The Board also believes that the vesting of two roles in the same person would provide the Group with stable and consistent leadership and allows for more effective and efficient planning and implementation of long term business strategies. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

Under the code provision A.5.1 of the Code, company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. However, the Board considers that the setting up of such a nomination committee may not be necessary at the current scale of the Board and the Company. The Board is responsible for considering and approving the appointment of its members and making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominate and appoint directors to fill casual vacancies. The chairman may in conjunction with the other directors from time to time review the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board independent of management.

Under the code provision A.6.7 of the Code, independent non-executive directors should, inter alia, attend general meetings. Due to personal and other important engagement at the relevant time, Messrs. Mu Xiangming and Lo Wa Kei Roy were absent from the 2013 annual general meeting of the Company.

The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than the Revised Code.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

REPORT ON CORPORATE GOVERNANCE



BOARD OF DIRECTORS

Directors during the year ended 31 December 2013 and up to the date of this report are as follows:

Executive Directors

Gao Yuan Xing (*Chairman and Chief Executive Officer*)

Qian Yi Dong (*Deputy Chairman*)

Zhang Jia Kun

Zhao Qing (resigned on 6 January 2013)

Non-Executive Director

Fan Wei Guo (resigned on 1 March 2013)

Independent Non-executive Directors

Mu Xiangming

Cheng Chak Ho

Lo Wa Kei Roy

The following table shows the attendance of each individual member of the Board and the respective Board Committees at the Board and the respective Board Committees meetings and general meeting held during the year ended 31 December 2013:

Name of Directors	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Corporate Governance Committee meeting	Financial Reporting Committee meeting	General meeting
Gao Yuan Xing	4/4	n/a	n/a	n/a	n/a	1/1
Qian Yi Dong	4/4	n/a	1/1	2/2	2/2	1/1
Zhang Jia Kun	2/4	n/a	n/a	2/2	2/2	0/1
Mu Xiangming	1/4	1/2	n/a	n/a	n/a	0/1
Cheng Chak Ho	2/4	2/2	1/1	2/2	n/a	1/1
Lo Wa Kei Roy	2/4	2/2	1/1	n/a	2/2	0/1
Zhao Qing (<i>note 1</i>)	0/4	n/a	n/a	0/2	n/a	0/1
Fan Wei Guo (<i>note 2</i>)	0/4	n/a	n/a	n/a	n/a	0/1

Notes:

1. Mr. Zhao Qing resigned as Executive Director on 6 January 2013.
2. Mr. Fan Wei Guo resigned as Non-executive Director on 1 March 2013.

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.

REPORT ON CORPORATE GOVERNANCE

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. Schedules for annual meeting and draft agenda of each meeting is sent to all Directors in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are dispatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

Minutes of all Board meetings and committee meetings, which record in sufficient detail the matters considered and decisions reached, are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director. The Company's Articles contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board.

During the financial year of 2013, the Board had at all times at least three independent non-executive directors and at least one of independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise. The Company has appointed independent non-executive directors representing at least one-third of the board.

The Company has arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

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

Director's Continuous Professional Development

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills.

During the year, all Executive Directors of the Company namely, Messrs Gao Yuan Xing, Qian Yi Dong and Zhang Jia Kun received briefings and updates on the Group's business, operations, risk management and corporate governance matters. Materials on new or changes to rules and regulations applicable to the Group were provided to them. According to the training records maintained by the Company, Independent Non-executive Directors namely Messrs. Mu Xiangming, Cheng Chak Ho and Lo Wa Kei Roy also attended regulatory update sessions and seminars on relevant topics.

NON-EXECUTIVE DIRECTORS

All the non-executive Directors of the Company were appointed for an initial term of one year and every Director (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.



BOARD COMMITTEES

The Board set up various board committees responsible for various aspect of business of the Company.

Remuneration Committees

The Remuneration Committee of the Company was established in May 2006. The members of the Committee during the financial year of 2013 are:

Lo Wa Kei Roy, Independent Non-executive Director, (*Chairman of the Committee*)
Cheng Chak Ho, Independent Non-executive Director
Qian Yi Dong, Executive Director

The responsibilities of the Remuneration Committee include setting remuneration policy of the Group and fixing remuneration packages of the Directors in accordance with the Listing Rules and the Bye-laws. Details of the remuneration paid to the respective Directors are set out in note 10 to the financial statements. No Directors can determine their own remuneration packages. The Remuneration Committee is provided with sufficient resources to discharge its duties. The Remuneration Committee has adopted terms of reference which are aligned with the Code. The chairman of the Remuneration Committee will report their findings and recommendations to the Board for consideration and approval. The Remuneration Committee will meet at least once a year to discharge its responsibilities in accordance with its terms of reference.

During the year ended 31 December 2013, the work performed by the Remuneration Committee included the followings:

- a. discussing the policy for the remuneration of the Directors
- b. reviewing remuneration packages of the Directors
- c. making recommendations to the Board on remuneration of the Non-Executive Directors

Audit Committee

The Audit Committee comprises all Independent Non-executive Directors of the Company, they are as follows:

Mu Xiangming, Independent Non-executive Director, (*Chairman of the Committee*)
Cheng Chak Ho, Independent Non-executive Director
Lo Wa Kei Roy, Independent Non-executive Director

The Audit Committee will meet no less than twice a year to review all business affairs managed by the Executive directors and to review the interim and final financial statements of the Group before their submission to the Board for approval and to review the effectiveness of the internal control and risk management system of the Group. The Audit Committee has adopted terms of reference which are aligned with the Code. A copy of the terms of reference of the Audit Committee has been posted on the Company's website.

REPORT ON CORPORATE GOVERNANCE

During the year ended 31 December 2013, the Audit Committee met on 2 occasions with the presence of external auditors and discharged its responsibilities in its review of the interim and annual results. The work performed by the Audit Committee for the year ended 31 December 2013 included reviews of the following:

- a. the directors' report and the consolidated financial statements for the year ended 31 December 2012 of the Group, with a recommendation to the Board for approval;
- b. the consolidated financial statements for the 6 months ended 30 June 2013 of the Group, with a recommendation to the Board for approval;
- c. the audit fees for the year ended 31 December 2013 proposed by the external auditors, with a recommendation to the Board for approval;
- d. the new accounting policies and practices adopted by the Group;
- e. the compliance status of the Group with the applicable regulatory and other legal requirements;
- f. the Group's investment policy and the adequacy of provision made for diminution in value for the Group's assets and investments; and
- g. the internal control and risk management system of the Group.

Corporate Governance Committee

In order to further strengthen the Company's corporate governance, the Company established the Corporate Governance Committees on 12 January 2008:

The members of the Committee during the financial year of 2013 and up to the date of this report are as follows:

Mr. Qian Yi Dong, Executive Director (*Chairman of the committee*)
Dr. Cheng Chak Ho, Independent Non-executive Director
Mr. Zhang Jia Kun, Executive Director (appointed on 6 January 2013)
Mr. Zhao Qing, Executive Director (resigned on 6 January 2013)

The major responsibilities of the Corporate Governance Committee are to oversee the Company's corporate governance matters and to ensure that the Company has complied with the Code. The Corporate Governance Committee had reviewed the corporate governance report of the Company and confirmed that the Company had complied with the Code of the Listing Rules throughout the year except some deviations from the Code mentioned on the page 1 of this report.



Financial Reporting Committee

The Board, supported by the accounts department, is responsible for the preparation of the financial statements of the Company and the Group. The Company has also set up a Financial Reporting Committee which major responsibility is to oversee the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the Group's results and cash flow for that year. The Financial Reporting Committee is also responsible to ensure the compliance by the Group of disclosure requirements under the Listing Rules in a timely manner.

The members of the Financial Reporting Committee throughout the financial year of 2013 are as follows:

Mr. Qian Yi Dong, Executive Director (*Chairman of the committee*)
Mr. Lo Wa Kei Roy, Independent Non-executive Director
Mr. Zhang Jia Kun, Executive Director

During the year ended 31 December 2013, the Financial Reporting Committee had reviewed the audited financial statements of the Group for the year ended 31 December 2012 and confirmed that the preparation of the audited financial statements of the Group for the year ended 31 December 2012 had complied with the disclosure requirements under the Listing Rules in a timely manner.

Nomination function

The Board is collectively responsible for performing the nomination duties including:

- a. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis
- b. reviewing the candidates' qualification and competence
- c. assessing the independence of the Independent Non-Executive Directors
- d. making decision on appointment of Directors

DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2013, and they have all confirmed that they had fully complied with the required standard set out in the Model Code.

AUDITOR'S REMUNERATION

An amount of approximately HK\$900,000 (2012: HK\$900,000) was charged to the Group's consolidated financial statements for the year ended 31 December 2013 for the auditing services provided by Elite Partners CPA Limited. There was no non-audit service assignment provided by Elite Partners CPA Limited during the year (2012: Nil).

SHAREHOLDER'S RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to the Bye-law 58 of the Company, a special general meeting may be convened by the Board upon requisition by any shareholder holding not less than one-tenth of the issued share capital of the Company and the securities being held carrying the right of voting at any general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the head office or principal place of business in Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. The Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business. If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so pursuant to the provisions of Section 74(3) of the Companies Act of Bermuda.

The procedures for sending enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board by addressing them to the Company Secretary at the Principal Place of Business and the Company Secretary shall then forward the same to the appropriate executives of the Company or members in the Board for further handling.

Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the head office or principal place of business in Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

REPORT ON CORPORATE GOVERNANCE



INVESTOR RELATIONS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. The Directors meet and communicate with shareholders at the AGM of the Company. The Chairman proposes separate resolutions for each issue to be considered and put each proposed resolution to the vote by way of a poll. Voting results are posted on the Company's website on the day of AGM.

Our corporate website which contains corporate information, corporate governance practice, interim and annual reports, announcements and circulars issued by the Company enables the Company's shareholders to have timely and updated information of the Company.

On behalf of the Board

Gao Yuan Xing

Chairman of the Board and Chief Executive Officer

Hong Kong, 25 March 2014

INDEPENDENT AUDITOR'S REPORT



開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

**To the members of
North Mining Shares Company Limited**
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of North Mining Shares Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 99, which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of 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 financial statements that gives 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 Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 qualified audit opinion.

INDEPENDENT AUDITOR'S REPORT



BASIS FOR QUALIFIED OPINION

Prior year's audit scope limitation affecting opening balances and comparative figures

The auditor's report on the consolidated financial statements of the Group for the years ended 31 December 2009, 2010, 2011 and 2012 contained a qualification on the possible effect of the limitations on the scope of the audit in relation to (i) a property development project held by a subsidiary of the Company; and (ii) provision of environmental and resources tax. Details of which has been set out in the auditor's report dated 25 March 2013 and was included in the Group's annual report for the year ended 31 December 2012.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2012 formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of (i) the carrying amount of the abovementioned property development project and (ii) the provision of environmental and resources tax would have a significant effect on the opening balances and consequential effect on the consolidated financial position of the Group as at 31 December 2013 and the results and cash flows for the year ended 31 December 2013 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2013.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

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

REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141 (6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the matters described in the basis for qualified opinion's paragraph:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 25 March 2014

Siu, Jimmy
Practising Certificate Number P05898

Suites 2B-4A, 20/F.,
Tower 5, China Hong Kong City,
33 Canton Road,
Tsimshatsui, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Revenue	5(a)	158,524	369,702
Cost of sales		(136,345)	(340,991)
Gross profit		22,179	28,711
Other income	5(b)	71,797	45,949
Other gains and losses	6	133,769	(1,035,586)
Administrative expenses		(77,545)	(85,907)
Profit/(Loss) from operations		150,200	(1,046,833)
Finance costs	8	(22,708)	(12,071)
Share of result of associate		(138)	(134)
Profit/(Loss) before income tax	9	127,354	(1,059,038)
Taxation	12	19,758	90,492
Profit/(Loss) for the year		147,112	(968,546)
Attributable to:			
Owners of the Company		194,012	(852,471)
Non-controlling interests		(46,900)	(116,075)
		147,112	(968,546)
Dividends	14	—	—
Earnings/(Loss) per share			
— Basic, HK cents	15	1.36	(6.47)
— Diluted, HK cents	15	1.18	(5.40)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013



	2013 HK\$'000	2012 HK\$'000
Profit/(Loss) for the year	147,112	(968,546)
Other comprehensive income (Net of tax effect): <i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising from translation of foreign subsidiaries	58,988	76,119
Release of exchange reserves upon disposal of subsidiaries	–	(5,376)
Other comprehensive income for the year	58,988	70,743
Total comprehensive income/(loss) for the year	206,100	(897,803)
Attributable to:		
Owners of the Company	235,864	(817,343)
Non-controlling interests	(29,764)	(80,460)
	206,100	(897,803)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	31 December 2013 HK\$'000	31 December 2012 HK\$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	324,827	314,001
Interest in an associate	17	–	637,799
Prepaid lease payments	19	78,176	81,675
Mining rights	20	1,956,000	2,010,545
Other financial assets	21	1,713,932	1,229,931
		4,072,935	4,273,951
Current Assets			
Inventories	22	212,906	104,813
Trade and bills receivables	23	13,091	39,870
Prepayments, deposits and other receivables	24	522,127	115,609
Tax recoverable		28,788	23,411
Cash and cash equivalents		44,907	368,501
		821,819	652,204
Total Assets		4,894,754	4,926,155
CAPITAL AND RESERVES			
Share capital	25	230,921	224,041
Reserves	26	2,912,150	2,558,466
Equity attributable to owners of the Company		3,143,071	2,782,507
Non-controlling interests		461,269	491,033
Total Equity		3,604,340	3,273,540

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013



	Notes	31 December 2013 HK\$'000	31 December 2012 HK\$'000
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities	27	492,579	507,050
Provision for environmental and resources tax	29	25,382	98,425
		517,961	605,475
Current Liabilities			
Trade payables	28	68,162	115,602
Other payables and accruals	30	140,586	112,823
Bank loans and other borrowings	31	231,498	94,611
Other financial liabilities	32	176,801	647,009
Amounts due to related parties	33	59,750	67,577
Provision for environmental and resources tax	29	76,147	–
Tax payables		19,509	9,518
		772,453	1,047,140
Total Liabilities		1,290,414	1,652,615
Total Equity and Liabilities		4,894,754	4,926,155
Net Current Assets/(Liabilities)		49,366	(394,936)
Total Assets less Current Liabilities		4,122,301	3,879,015
Net Assets		3,604,340	3,273,540

Approved and authorised for issue by the board of directors on 25 March 2014

Gao Yuan Xing
Director

Qian Yi Dong
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	–	–
Interest in an associate	17	–	47,322
Interests in subsidiaries	18	1,980,405	1,792,395
		1,980,405	1,839,717
Current Assets			
Prepayments, deposits and other receivables	24	48,092	897
Cash and cash equivalents		194	83,191
		48,286	84,088
Total Assets		2,028,691	1,923,805
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	230,921	224,041
Reserves	26	1,618,855	1,049,432
Total Equity		1,849,776	1,273,473
LIABILITIES			
Current Liabilities			
Other payables and accruals	30	2,114	3,323
Other financial liabilities	32	176,801	647,009
Total Liabilities		178,915	650,332
Total Equity and Liabilities		2,028,691	1,923,805
Net Current liabilities		(130,629)	(566,244)
Total Assets less Current Liabilities		1,849,776	1,273,473
Net Assets		1,849,776	1,273,473

Approved and authorised for issue by the board of directors on 25 March 2014

Gao Yuan Xing
Director

Qian Yi Dong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company							Sub-total HK\$'000	Attributable to Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Accumulated loss/ Retained earning HK\$'000			
Balance at 1 January 2012	208,041	2,256,805	31,350	(894)	12,677	185,369	540,887	3,234,235	1,805,638	5,039,873
Loss and total comprehensive expense for the year	-	-	-	-	-	76,119	(852,471)	(776,352)	(116,075)	(892,427)
Placing of shares	208,041 4,800	2,256,805 73,200	31,350 -	(894) -	12,677 -	261,488 -	(311,584) -	2,457,883 78,000	1,689,563 -	4,147,446 78,000
Conversion of convertible notes	11,200	240,800	-	-	-	-	-	252,000	-	252,000
Release of statutory reserves upon disposal of subsidiaries	-	-	-	-	-	(5,376)	-	(5,376)	(1,198,530)	(1,203,906)
At 31 December 2012 and at 1 January 2013	224,041	2,570,805	31,350	(894)	12,677	256,112	(311,584)	2,782,507	491,033	3,273,540
Profit and total comprehensive income for the year	-	-	-	-	-	41,852	194,012	235,864	(29,764)	206,100
Conversion of convertible notes	224,041 6,880	2,570,805 117,820	31,350 -	(894) -	12,677 -	297,964 -	(117,572) -	3,018,371 124,700	461,269 -	3,479,640 124,700
At 31 December 2013	230,921	2,688,625	31,350	(894)	12,677	297,964	(117,572)	3,143,071	461,269	3,604,340

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash flows from operating activities			
Profit/(loss) from operations		150,200	(1,046,833)
Adjustments for:			
Imputed interest income arising from amortisation of promissory notes		(60,072)	(43,580)
Interest income		(447)	(618)
Depreciation of property, plant and equipment		19,602	33,600
Amortisation of prepaid lease payments		5,997	5,889
Amortisation of mining right		98,227	84,066
Loss on disposal of associates		213,754	–
Gain on disposal of a subsidiary		–	(20,733)
Loss on disposal of property, plant and equipment		10	18,273
Reversal of impairment loss on trade receivables		–	(6,972)
(Gain)/Loss arising from change in fair value of financial liabilities designated as at FVTPL		(470,208)	624,009
Loss arising from change in fair value of promissory notes		–	49,745
Impairment loss on mining right		18,461	299,582
Operating profit before working capital changes		(24,476)	(3,572)
(Increase)/Decrease in inventories		(103,456)	77,329
Increase in trade receivables, prepayments, deposits and other receivables		(370,109)	(66,063)
(Decrease)/Increase in trade payables, other payables and accruals		(26,449)	74,351
(Decrease)/Increase in amounts due to related parties		(9,832)	6,822
Increase in amount due from an associate		–	(58,276)
Cash (used in)/generated from operations		(534,322)	30,591
Interest income received		447	618
Corporate income tax paid		(4,424)	(8,108)
Net cash (used in)/generated from operating activities		(538,299)	23,101
Cash flows from investing activities			
Purchase of items of property, plant and equipment and addition to properties under development		(20,530)	(80,242)
Cash effect of disposal of a subsidiary	38	–	216,000
Subscription of promissory note receivables		–	(198,899)
Net cash used in investing activities		(20,530)	(63,141)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013



	2013 HK\$'000	2012 HK\$'000
Cash flows from financing activities		
Interest expense paid	(22,708)	(12,071)
Proceeds from bank loans	239,030	82,540
Repayment of loans	(106,830)	(47,799)
Proceeds from issuance of shares	124,700	330,000
Net cash generated from financing activities	234,192	352,670
Net (decrease)/increase in cash and cash equivalents	(324,637)	312,630
Cash and cash equivalents at 1 January	368,501	24,305
Effect of foreign exchange rate changes, net	1,043	31,566
Cash and cash equivalents at 31 December	44,907	368,501
Analysis of balances of cash and cash equivalents		
Cash and bank balances	44,907	368,501

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION

North Mining Shares Company Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liabilities. The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business is located at Rooms 3609–10, 36/F., China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The principal activities of the Company are investment holding and property investment. The principal activities of the Company and its subsidiaries (the “Group”) are mining, property leasing and property management.

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

In the opinion of the directors, the ultimate holding company of the Company is China Wan Tai Group Limited, which was incorporated in Hong Kong.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

2.1 Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Company. The following paragraph provides information on initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

2.2 Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 December 2013

In the current year, the Group has applied for the first time the following new and revised standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2013:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
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
Annual Improvements to HKFRSs (2009–2011)	Amendments to HKFRS 1, HKAS 1, HKAS 16 HKAS 32 and HKAS 34

The initial application of these financial reporting standards does not necessitate material changes in the company’s accounting policies except the following:

- (i) HKFRS 10 “Consolidated Financial Statements” modifies the concept of “control” substantially. The Company’s adoption of this new concept of control does not result in a change in the classification of investments in subsidiaries and other entities;
- (ii) HKFRS 13 “Fair Value Measurement” introduces a number of new concepts and principles regarding fair value measurement. The Company’s adoption of these new concepts and principles does not result in a change in the fair value measurements of its assets and liabilities.

The initial application of these financial reporting standards does not necessitate retrospective adjustments of the comparatives presented in the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

2.2 Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 December 2013 (Continued)

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

HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ⁴
HK(IFRIC)-Int 21	Levies ¹
Amendments to HKAS 19 (2011)	Defined Benefit 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
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Annual Improvements to HKFRSs (2010–2012) Cycle	Amendments to HKFRS 2, HKFRS 3, HKFRS 8, HKFRS 13, HKAS 16, HKAS 24 and HKAS 38 ²
Annual Improvements to HKFRSs (2011–2013)	Amendments to HKFRS 10, HKFRS 12 and HKAS 40 ²

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

² Effective for annual periods beginning on or after 1 July 2014

³ Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 January 2016

The directors of the Company are in the process of making an assessment of what the impact of these new and revised HKFRSs upon initial application. So far the directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations in issue but not yet effective will have no material impact on the results and the financial position of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements of have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) under the historical cost convention, as modified by the other financial assets and other financial liabilities, which are carried at fair value, as explained in the accounting policies set out below. In addition, the consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

The preparation of consolidated financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

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.

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation (Continued)

(a) Subsidiaries (Continued)

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/consolidated statement of profit or loss 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

(b) Associate

Associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's shares of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation (Continued)

(b) Associate (Continued)

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the associates. Accounting policies of associates have been changes where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in associated company are stated at cost less provision for impairment losses. The results of associated company are accounted for by the Company on the basis of dividend received and receivable.

3.3 Business combination

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 at the acquisition date, except that:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Business combination (Continued)

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; 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.

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 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 interest's 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.

Where the consideration the Group transfers 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 considered 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 being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Business combination (Continued)

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.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

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 of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3.4 Goodwill

Goodwill arising on acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Goodwill (Continued)

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

3.5 Financial assets

The Group classifies its financial assets into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial investment and loans and receivables.

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

3.5.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 on 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 in profit or loss on an effective interest basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

3.5.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss and all derivatives other than hedging instruments.

Financial assets are classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is 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.

Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise.

3.5.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

3.5.4 Available-for-sale financial investment

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

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

3.5.5 Loans and receivables

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

3.5.6 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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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.

3.5.7 Impairment of financial assets

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

3.5.7 Impairment of financial assets (Continued)

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

For available-for-sale financial investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When available-for-sale financial investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. Impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight line method, over their estimated useful lives. The principal annual rates are as follows:

Mining structure and building, plant and machinery	20 years
Leasehold improvement	3 to 5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	3 to 5 years

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leasehold interests in land

Leasehold interests in land are classified as operating leases and presented as "Prepaid lease payments" in the consolidated statement of financial position when all the risks and rewards incidental to ownership are not substantially transferred to the Group. Leasehold interests in land are amortised in the profit or loss on a straight-line basis over the period of the lease or when there is impairment, the impairment is recognised in the profit or loss.

3.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit or loss.

3.9 Mining right

Mining rights acquired separately are initially measured at cost. Mining rights are reclassified from exploration and evaluation assets at the carrying amount when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortization and any identified impairment loss. Amortisation for mining rights with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the mineral mines.

3.10 Current assets and current liabilities

Current assets are expected to be realised within twelve months of the end of reporting period or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the end of reporting period or in the normal course of the Group's operating cycle.

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

3.13 Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.13.1 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 of direct issue costs.

3.13.2 Compound instruments

The component parts of compound instruments (convertible note) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

3.13.3 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 receipts (including all fees on 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 expense is recognised in profit or loss on an effective interest basis.

3.13.4 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial liabilities and equity instruments issued by the Group (Continued)

3.13.5 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages tighter 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.

Financial liabilities at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise.

3.13.6 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.13.7 Derecognition

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Impairment of assets

(i) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment
- Interest in associates
- Prepaid lease payments
- Mining rights
- Investment in subsidiaries

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- *Calculation of recoverable amount*

The recoverable amount of an asset is the higher of its fair value less costs to sell and its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).
- *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.
- *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Impairment of assets (Continued)

(ii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3.15 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Sales of molybdenum concentrate, sulfuric acid and mineral resources

Sales of molybdenum concentrate, sulfuric acid and mineral resources is measured at the fair value of the consideration received or receivable and represents amounts of goods sold in the normal course of business, net of sales related tax. Sales of goods are recognised when goods are delivered and title has passed.

(ii) Rental income from operating lease

Rental income receivable under operating leases is recognised in equal instalments over the accounting periods covered by the lease term. Lease incentives granted are recognised as an integral part of the aggregate lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income and property management income

Interest income from bank deposits and loans receivable are accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable. Property management income is recognised when the services are rendered.

3.16 Foreign currencies

Transactions in currencies other than the functional currency of the respective group entities (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Foreign currencies (Continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Foreign exchange gains and losses arising on the settlement of monetary items, and on the retranslation of monetary items, are included in net profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognized directly in equity.

On consolidation, the assets and liabilities of the Group's foreign operations are translated to Hong Kong dollars at exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

3.17 Lease

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

The Group as lessee

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3.19 Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's overseas entities are recognised as an expense in the profit or loss as incurred.
- (iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.
- (iv) The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting condition) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

3.20 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 is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Taxation (Continued)

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Company 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.

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

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

3.21 Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the end of reporting period of the expenditures expected to be required to settle the obligation.

3.22 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Related parties

For the purposes of these financial statements, related parties include a person and entity as defined below:

- (i) A person or a close member of that person's family is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group;
 - (c) is a member of the key management personnel of the Company or of a parent of the Company;
- (ii) An entity is related to the Group (reporting entity) if any of the following conditions applies:
 - (a) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (b) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member);
 - (c) both entities are joint ventures of a third entity;
 - (d) either entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (e) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan;
 - (f) the entity is controlled or jointly controlled by a person identified in (i);
 - (g) a person identified in (i)(a) has significant voting power in the entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4.1 Useful life of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

4.2 Amortisation and Impairment of mining rights

Mining rights are amortised using the unit of production method based on the actual production volume over the estimated total proved and probable reserve of the molybdenum mines.

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

The carrying values of mining rights are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amounts of mining rights, or, where appropriate, the cash-generating units to which they belong, are calculated as the higher of its fair values less costs to sell and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.3 Impairment of loans and receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the profit or loss. Changes in the collectability of trade receivables for which provisions are not made could affect our results of operations.

4.4 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the end of the reporting period.

4.5 Fair value of other financial assets and liabilities

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the consolidated financial statements. The calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the consolidated financial statements.

4.6 Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilization may be different.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



5. TURNOVER AND OTHER INCOME

An analysis of the Group's turnover and other income and gains is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
(a) Revenue:		
Sales of molybdenum concentrate	122,179	345,561
Trading of minerals resources	29,495	17,590
Property management fee income	6,850	6,551
	158,524	369,702
(b) Other income:		
Bank interest income	447	618
Imputed interest income arising from amortisation of promissory notes	60,072	43,580
Dividend income received from contingent assets	11,276	–
Sundry income	2	1,751
	71,797	45,949

6. OTHER GAINS AND LOSSES

	Group	
	2013 HK\$'000	2012 HK\$'000
Amortisation of prepaid lease payments	(5,997)	(5,889)
Amortisation of mining rights	(98,227)	(84,066)
Gain/(Loss) arising from change in fair value of financial liabilities designated as at FVTPL	470,208	(624,009)
Loss arising from change in fair value of promissory notes	–	(49,745)
Gain on disposal of subsidiaries	–	20,733
Loss on disposal of an associate	(213,754)	–
Reversal of impairment loss on trade and bills receivables	–	6,972
Impairment loss on mining right	(18,461)	(299,582)
	133,769	(1,035,586)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

7. SEGMENT INFORMATION

Operating segments has been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assessing their performance.

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) Mining operation:
 - Exploration of mineral mines
 - Exploitation of molybdenum mines
 - Trading of mineral resources
- (b) Property leasing operation: The leasing of commercial premises
- (c) Property management operation: Provision of management service to commercial premises

The management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Information regarding the above segment is reported below.

7.1 Operating segment information

Segment revenue and results For the year ended 31 December 2013

	Mining operation					Total HK\$'000
	Property leasing ² HK\$'000	Property management HK\$'000	Mining exploitation ³ HK\$'000	Mining exploration ⁴ HK\$'000	Trading of mineral resources HK\$'000	
Revenue						
Segment turnover	–	6,850	148,207	–	3,467	158,524
Results ¹						
Segment results	–	20	(134,002)	–	(2,878)	(136,860)
Unallocated corporate income						318,291
Unallocated corporate expenses						(24,905)
Profit before income tax						156,526
Income tax						(9,414)
Profit for the year						147,112

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

7. SEGMENT INFORMATION (Continued)

7.1 Operating segment information (Continued)

For the year ended 31 December 2012

	Property leasing ² HK\$'000	Property management HK\$'000	Mining operation		Trading of mineral resources HK\$'000	Total HK\$'000
			Mining exploitation ³ HK\$'000	Mining exploration ⁴ HK\$'000		
Revenue						
Segment turnover	–	6,551	345,561	–	17,590	369,702
Results ¹						
Segment results	–	238	(321,791)	(4,921)	(1,814)	(328,288)
Unallocated corporate income						52,919
Unallocated corporate expenses						(687,757)
Loss before income tax						(963,126)
Income tax						(5,420)
Loss for the year						(968,546)

- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment result represents the profit earned by each segment without allocation of corporate income and expenses, central administrative expenses, directors' salaries and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.
- For the year ended 31 December 2013 and 2012, there is no segment result for property leasing operation.
- For the year ended 31 December 2013, segment results for mining exploitation included an impairment loss on mining rights of approximately HK\$18,461,000 (2012: HK\$299,582,000), amortisation of mining right of approximately HK\$98,227,000 (2012: HK\$84,066,000) and reversal of deferred tax liabilities of approximately HK\$29,172,000 (2012: HK\$95,912,000) and operating expenses which are directly related to the reportable segment.
- For the year ended 31 December 2013, segment result for mining exploration represented the administrative expenses incurred to the reportable segment. For the year ended 31 December 2012, segment result for mining exploration represented the administrative expenses incurred to the reportable segment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

7. SEGMENT INFORMATION (Continued)

7.1 Operating segment information (Continued)

Segment assets and liabilities

As at 31 December 2013

	Property leasing HK\$'000	Property management HK\$'000	Mining operation		Trading of mineral resources HK\$'000	Others HK\$'000	Total HK\$'000
			Mining exploitation HK\$'000	Mining exploration HK\$'000			
Segment assets	-	660	2,712,154	-	55,892	2,126,048	4,894,754
Segment liabilities	-	1,115	1,138,131	-	1,591	149,577	1,290,414

As at 31 December 2012

Segment assets	-	595	2,570,119	-	58,515	2,296,926	4,926,155
Segment liabilities	-	1,047	999,519	-	1,679	650,370	1,652,615

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

- all assets are allocated to reportable segments other than goodwill, intangible assets and assets used jointly reportable segments which are classified as "Others" in segment assets.
- all liabilities are allocated to reportable segments other than liabilities for which reportable segments are jointly liable and classified as "Others" in segment liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

7. SEGMENT INFORMATION (Continued)

7.1 Operating segment information (Continued)

Other segment information

	Property leasing HK\$'000	Property management HK\$'000	Mining operation		Trading of mineral resources HK\$'000	Others HK\$'000	Total HK\$'000
			Mining exploitation HK\$'000	Mining exploration HK\$'000			
As at 31 December 2013							
Depreciation and amortisation	-	-	117,898	-	5,928	-	123,826
Impairment loss recognised during the year	-	-	18,461	-	-	-	18,461
Capital expenditures	-	-	20,396	-	-	134	20,530
As at 31 December 2012							
Depreciation and amortisation	-	1	116,942	-	-	723	117,666
Impairment loss recognised during the year	-	-	299,582	-	-	-	299,582
Capital expenditures	-	-	73,508	-	-	6,734	80,242

7.2 Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the group's current and non-current assets. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the segment assets is based on the physical location of the asset, in the case of mining rights, the location of the operation to which they are allocated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

7. SEGMENT INFORMATION (Continued)

7.2 Geographical information (Continued)

The Group's operations are located in the following geographical areas. The following table provides an analysis of the Group's revenue from external customers and assets by geographical location:

	Segment revenue from external customers		Segment assets	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong	–	–	237,717	495,215
The PRC	158,524	369,702	4,657,037	4,430,940
	158,524	369,702	4,894,754	4,926,155

7.3 Information about major customers

Included in revenue of approximately HK\$158,524,000 (2012: HK\$369,702,000), a total of approximately HK\$58,596,000 (2012: HK\$129,499,000) is derived from sales to the Group's largest customer. The Group's five largest customers account for approximately HK\$109,077,000 (2012: HK\$283,818,000). No other single customer has contributed 10% or more to the Group's revenue for the years ended 31 December 2013 and 2012.

8. FINANCE COSTS

	Group	
	2013 HK\$'000	2012 HK\$'000
Interest on bank loans and other borrowings wholly repayable within five years	22,708	12,071

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



9. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Group	
	2013 HK\$'000	2012 HK\$'000
Auditors' remuneration	900	900
Cost of inventories expensed	136,345	335,223
Depreciation of property, plant and equipment	19,602	33,600
Staff costs (including directors' remuneration		
— Wages and salaries	13,208	16,017
— Retirement benefits contributions	1,499	1,438
Operating lease payments in respect of offices premises	2,885	1,713

10. DIRECTORS' REMUNERATION

Remuneration of the directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Fees:		
Executive directors	163	–
Independent non-executive directors	300	300
	463	300
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	879	1,167
Contributions to pension schemes	28	26
Independent non-executive directors:		
Salaries, allowances and benefits in kind	–	–
	907	1,193
	1,370	1,493

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

10. DIRECTORS' REMUNERATION (Continued)

For the year ended 31 December 2013 and 2012, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Director has waived any emolument during the year (2012: Nil).

	Fees		Salaries and other benefits		Retirement benefit scheme contributions		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors								
Gao Yuan Xing	–	–	546	538	15	14	561	552
Qian Yi Dong	–	–	273	269	13	12	286	281
Fan Wei Guo ¹	–	–	60	360	–	–	60	360
Zhang Jia Kun	163	–	–	–	–	–	163	–
Zhao Qing ²	–	–	–	–	–	–	–	–
	163	–	879	1,167	28	26	1,070	1,193
Independent non-executive directors								
Mu Xiangming	100	100	–	–	–	–	100	100
Cheng Chak Ho	100	100	–	–	–	–	100	100
Lo Wa Kei Roy	100	100	–	–	–	–	100	100
	300	300	–	–	–	–	300	300

¹ Fan Wei Guo, who was appointed as Executive Director on 25 May 2011, was reassigned as an Non-executive Director on 17 May 2012 and resigned on 1 March 2013.

² Zhao Qing resigned as Executive Director on 6 January 2013.

For the years ended 31 December 2013 and 2012, remunerations of all directors of the Company fall within HK\$Nil to HK\$1,000,000.

During the year ended 31 December 2013, no amounts have been paid by the Group to the directors as inducement to join the Group, as compensation for loss of office or as commitment fees to existing directors for entering into new services contracts with the Group (2012: Nil).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

11. EMPLOYEES' EMOLUMENTS

The five highest paid employees during the year included three (2012: three) directors, details for whose remuneration are set out in Note 10 above. Details of the remuneration of the remaining two (2012: two) highest paid, non-director employees are as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and other benefits	1,541	1,096
Mandatory provident fund contribution	42	39
	1,583	1,135

Retirement benefit scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$25,000. Contributions to the scheme vest immediately.

The employees of the Company's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or postretirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and the PRC. In the opinion of the Directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2013 (2012: Nil) in respect of the retirement of its employees.

Share-based payment transactions

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25 May 2011. The purpose of the Scheme is to enable the Company to grant options to the Eligible Persons (as defined under the Scheme) as incentive or reward for their contribution to the growth of the Group or Invested Entities (as defined under the Scheme) and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Persons.

During the year end 31 December 2013, the outstanding share options under the Scheme has been lapsed on 26 July 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

11. EMPLOYEES' EMOLUMENTS (Continued)

Share-based payment transactions (Continued)

As at 31 December 2012, the number of shares in respect of options that had been granted and remained outstanding under the Scheme was 500,000, representing 0.0036% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Details of option outstanding as at 31 December 2012 are as follows:

Option type	Date of grant	Exercise period	Exercise price	Fair value at grant date
2011	26 July 2011	From 26 July 2011 to 25 July 2013	HK\$0.355	HK\$0.108

In accordance with the terms of the Scheme, options granted during the year ended 31 December 2011 vested at the date of grant.

The fair value of the share options is determined using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price was two and a half times the exercise price.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Input into the model

Share price	HK\$0.510
Exercise price	HK\$0.355
Expected volatility	32.506%
Time to maturity	0.569
Risk-free interest rate	0.05%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



11. EMPLOYEES' EMOLUMENTS (Continued)

Input into the model (Continued)

The following table discloses movements of the Company's share options during the year:

Option type	Outstanding at 1/1/2013	Granted during the year	Exercised during the year	Lapsed during the year	Expired during the year	Outstanding at 31/12/2013
2011	500,000	–	–	500,000	–	–
Exercisable at the end of the year						–
Weighted average exercise price	HK\$0.355	–	–	–	–	HK\$0.355

There was no option exercised during the year ended 31 December 2013 (2012: Nil).

12. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made since the Group incurred taxation losses for the year. Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

	Group 2013 HK\$'000	2012 HK\$'000
Current tax:		
PRC corporate income tax	9,414	5,420
Hong Kong profits tax	–	–
Deferred tax	(29,172)	(95,912)
	(19,758)	(90,492)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

12. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense applicable to loss before income tax using the statutory rates for the tax jurisdictions in which the Company and the majority of its subsidiaries are domiciled is as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Profit/(Loss) before income tax	127,354	(1,059,038)
Tax at the statutory tax rates	5,217	(191,399)
Tax effect of income not taxable for tax purpose	(134,704)	(5,183)
Tax effect of expense not deductible for tax purpose	138,156	86,270
Tax effect of temporary difference	(29,172)	(95,912)
Tax effect of unrecognised tax losses	68	115,732
Under provision in prior year	677	–
Tax credit for the year	(19,758)	(90,492)

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2013 include a net loss of approximately HK\$451,603,000 (2012: HK\$488,185,000) which has been dealt with in the financial statements of the Company.

14. DIVIDENDS

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

15. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share amount is based on the net profit for the year of HK\$194,012,000 (2012: net loss of HK\$852,471,000) attributable to equity holders of the Company, and weighted average of 14,310,096,161 (2012:13,175,630,408) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share amount is based on the net profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible notes. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 13,175,630,408 in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares 2,600,000,000 assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares at the beginning of the year ended.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Mining structure and buildings HK\$'000	Plant and machinery HK\$'000	Leasehold improvement HK\$'000	Furniture, fixture and motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
At cost:						
At 1 January 2012	194,643	144,327	536	21,986	66,001	427,493
Additions	29,173	5,349	–	710	45,010	80,242
Disposals	(14,218)	(5,289)	–	(344)	–	(19,851)
Write off	–	(16,386)	–	–	–	(16,386)
Exchange adjustments	1,296	755	–	85	832	2,968
At 31 December 2012 and at 1 January 2013	210,894	128,756	536	22,437	111,843	474,466
Additions	1,018	2,608	–	2,449	14,455	20,530
Transfer	–	3,950	–	–	(3,950)	–
Disposals	–	–	–	(204)	–	(204)
Write off	–	–	–	–	–	–
Exchange adjustments	6,664	4,094	–	479	3,713	14,950
At 31 December 2013	218,576	139,408	536	25,161	126,061	509,742
Accumulated depreciation and impairment:						
At 1 January 2012	34,391	93,097	483	15,844	–	143,815
Charge for the year	9,541	21,192	53	2,814	–	33,600
Disposals	(184)	(1,102)	–	(292)	–	(1,578)
Write off	–	(16,386)	–	–	–	(16,386)
Exchange adjustments	295	650	–	69	–	1,014
At 31 December 2012 and at 1 January 2013	44,043	97,451	536	18,435	–	160,465
Charge for the year	10,354	7,935	–	1,313	–	19,602
Disposals	–	–	–	(194)	–	(194)
Write off	–	–	–	–	–	–
Exchange adjustments	1,522	3,175	–	345	–	5,042
At 31 December 2013	55,919	108,561	536	19,899	–	184,915
Net carrying value:						
At 31 December 2013	162,657	30,847	–	5,262	126,061	324,827
At 31 December 2012	166,851	31,305	–	4,002	111,843	314,001

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Furniture, fixture and motor vehicles
	HK\$'000
<hr/>	
At cost:	
At 1 January 2012, at 31 December 2012, at 1 January 2013 and at 31 December 2013	3,186
<hr/>	
Accumulated depreciation:	
At 1 January 2012	2,644
Charge for the year	542
<hr/>	
At 31 December 2012 and 1 January 2013	3,186
Charge for the year	–
<hr/>	
At 31 December 2013	3,186
<hr/>	
Net book value:	
At 31 December 2013	–
<hr/>	
At 31 December 2012	–
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Notes:

- (a) As at 31 December 2013, the directors conducted a review of the Group's property, plant and equipment and determined that no impairment loss was necessary to be recognised in profit or loss (2012: HK\$Nil).
- (b) As at 31 December 2013, plant and machinery with a carrying value of approximately HK\$30,847,000 (2012: Nil) were pledged to an independent guarantee company for securing a loan granted by a bank in the PRC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



17. INTEREST IN AN ASSOCIATE

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost				
Hong Kong	–	–	–	–
PRC	579,523	579,657	–	–
	579,523	579,657	–	–
Share of post-acquisition loss and other comprehensive expense, net of dividends received	(138)	(134)	–	–
	579,385	579,523	–	–
Amounts due from an associate	58,281	58,276	47,322	47,322
	637,666	637,799	47,322	47,322
Disposal of an associate	(637,666)	–	(47,322)	–
	–	637,799	–	47,322

Amounts due from an associate is unsecured, interest-free and recoverable on demand.

As at 31 December 2013, the Group had no interests in associate.

As at 31 December 2012, the Group had interests in the following associate.

Name of associate	Registered and paid up capital	Country of incorporation	% of interest held	Principal activities
Jilin Province Rui Sui Kuang Ye Company Limited	RMB90,000,000	PRC	25%	Exploration, exploitation of molybdenum mines and sales of molybdenum concentrates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

17. INTEREST IN AN ASSOCIATE (Continued)

The summarised financial information in respect of the Group's associate is set out below:

	2013 HK\$'000	2012 HK\$'000
Total assets	–	2,377,678
Total liabilities	–	(59,586)
Net assets (Note 1)	–	2,318,092
Group's share of net assets of an associate (Note 1)	–	579,523
Revenue	–	–
Loss for the year	(551)	(536)
Group's share of results of an associate during the year	(138)	(134)

Notes:

- (1) As at 31 December 2013, the Group disposed of its 25% equity interests in Jilin Province Rui Sui Kuang Ye Company Limited ("Rui Sui"), a company established in the PRC and principally engaged in exploration of iron and molybdenum mine in the PRC at a consideration of Bai Shan Promissory Note of HK\$500,000,000 nominal amount. This transaction has resulted in the recognition of a loss in profit or loss, calculated as follows:

	HK\$'000
Consideration:	
Fair value of Bai Shan Promissory Note	423,929
Less: Net assets of Rui Sui	(637,683)
Loss of disposal recognised	(213,754)
	HK\$'000
Net assets disposed of:	
Interest in an associate	579,385
Amount due from Rui Sui	58,281
Deposits, prepayment and other receivables	16
Cash and bank balances	2
Other payables and accruals	(1)
Net assets of Rui Sui	637,683

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



17. INTEREST IN AN ASSOCIATES (Continued)

Notes: (Continued)

- (2) As at 31 December 2012, the Group had 25% equity interests in Jilin Province Rui Sui Kuang Ye Company Limited ("Rui Sui"), a company established in the PRC and principally engaged in exploration of iron and molybdenum mine in the PRC. Rui Sui was a non-wholly owned subsidiary of the Group as at 31 December 2011, which the Group had 51% equity interests in Rui Sui. During the year ended 31 December 2012, the Group disposed of 26% equity interests in Rui Sui and therefore Rui Sui, in which the Group holds the remaining 25% equity interests, has been classified as associate of the Group.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK\$'000	HK\$'000
Unlisted shares, at cost	530,825	530,825
Less: Impairment loss of investments in subsidiaries	(374,385)	(374,385)
	156,440	156,440
Amounts due from subsidiaries	2,128,322	1,940,312
Less: Impairment loss of amount due from subsidiaries	(304,357)	(304,357)
	1,823,965	1,635,955
Total:	1,980,405	1,792,395

The amounts due from subsidiaries are unsecured, interest-free and recoverable on demand. The amounts will not be repayable within twelve months from the end of reporting period, accordingly, the amounts are classified as non-current assets in the Company's statement of financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation/ establishment	Registered capital/ issued capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Sun Man Tai International (B.V.I.) Limited	British Virgin Islands	Ordinary HK\$274,051	100%	–	Investment holding
Golden Finance Company Limited	Hong Kong	Ordinary HK\$2,000,000	–	100%	Investment holding
Shanghai Yuan Bei Trading Limited	PRC	Registered capital RMB30,000,000	–	100%	Investment holding
Shanghai Xin Tong Limited	PRC	Registered capital RMB20,000,000	–	100%	Investment holding
BOC Mantai Property Management (Shanghai) Corporation Limited	PRC	Registered capital US\$200,000	–	100%	Properties management
Shaanxi Province Luo Nan Xian Jiulong Kuangye Company Limited	PRC	Registered capital RMB90,000,000	–	65%	Exploration and exploitation of molybdenum mines, sales of molybdenum concentrates

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



18. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the Shaanxi Province Luo Nan Xian Jiulong Kuangye Company Limited that have material non-controlling interests are set out below:

	2013 %	2012 %
Percentage of equity interest held by non-controlling interests	35	35

	2013 HK\$'000	2012 HK\$'000
Loss for the year allocated to non-controlling interest	(46,900)	(116,075)
Translation reserve for the year allocated to non-controlling interests	17,136	35,615
Accumulated balances of non-controlling interests at the reporting dates	461,269	491,033

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2013 HK\$'000	2012 HK\$'000
Revenue	148,207	363,151
Total expense	(282,209)	(690,574)
Loss for the year	(134,002)	(327,423)
Total comprehensive loss for the year	(85,043)	(429,181)
Current asset	319,642	251,456
Non-current assets	2,274,559	2,318,664
Current liabilities	590,682	394,044
Non-current liabilities	517,961	605,475
Net cash flows (used in)/generated from operating activities	(65,347)	13,839
Net cash flows used in investing activities	(39,994)	(73,508)
Net cash flows generated from financing activities	58,644	181,164
Net (decrease)/increase in cash and cash equivalent	(46,697)	121,495

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

19. PREPAID LEASE PAYMENTS

As at 31 December 2013 and 2012, prepaid lease payments represent cost paid for medium-term leasehold land in the Peoples Republic of China ("PRC") that is classified as an operating lease. The costs are amortised over the leasehold period of 15 years and 45 years respectively.

	Group	
	2013	2012
	HK\$'000	HK\$'000
Net carrying amount		
At beginning of the year	81,675	1,433
Addition	–	86,122
Amortisation	(5,997)	(5,889)
Exchange realignment	2,498	9
At the end of the reporting period	78,176	81,675

Prepaid lease payments of the Group are held under the following lease terms:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Land outside Hong Kong		
— Medium-term lease	78,176	81,675

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



20. MINING RIGHTS

	Group	
	2013	2012
	HK\$'000	HK\$'000
Costs:		
At 1 January 2013/2012	3,411,607	3,840,578
Disposal	–	(449,000)
Exchange adjustments	107,594	20,029
At 31 December 2013/2012	3,519,201	3,411,607
Accumulated amortisation and impairment loss:		
At 1 January 2013/2012	1,401,062	1,084,441
Amortisation provided for the year	98,227	84,066
Impairment loss provided for the year	18,461	299,582
Reversal of impairment loss as a result of disposal of a subsidiary	–	(73,000)
Exchange adjustments	45,451	5,973
At 31 December 2013/2012	1,563,201	1,401,062
Carrying amount:		
At 31 December 2013/2012	1,956,000	2,010,545

As at 31 December 2013, the Group had an exploitation rights in respect of a molybdenum mine located at Xi Ban Cha Gou, Huanglongpu Village, Shimen Town, Luonan County, Shaanxi Province, the PRC (“Shaanxi Molybdenum Mine”) issued by Land and Resources Bureau of Shaanxi Province, the PRC.

As at 31 December 2013, the Group determined the recoverable amounts of cash-generating unit (“CGU”) for Shaanxi Molybdenum Mine based on value in use calculation. That calculation used cash flows projections based on financial budgets as approved by management covering a 5-year periods, and discount rate of 12.45% (2012: 13.12%) for Shaanxi Molybdenum Mine with reference to the valuation performed by Sino-Infinite Appraisal Limited as at 31 December 2013. As the recoverable amount of the CGU of Shaanxi Molybdenum Mine was below the carrying amount, an impairment loss of approximately HK\$18,461,000 has been recognised to profit or loss and included in other gains and losses in the consolidated statement of profit or loss respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

21. OTHER FINANCIAL ASSETS

	Group	
	2013	2012
	HK\$'000	HK\$'000
Other financial assets		
Promissory notes receivable, non-current	1,713,932	1,229,931

Other financial assets represent present value of promissory notes receivables, details of which are set out below.

Ding Jin Promissory Note

During the year ended 31 December 2011, the Group entered into a subscription agreement with Shaanxi Ding Jin Mining Company Limited ("Ding Jin"), the Issuer, pursuant to which the Group is eligible to subscribe for the promissory notes issued by Ding Jin. The principal amount of the promissory notes was HK\$500 million and carried at interest of HK\$100 million, payable on the maturity date, which is 5 years from subscription.

Rui Sui Promissory Note

During the year ended 31 December 2012, the Group disposed of 26% equity interests in Rui Sui Kuang Ye Company Limited, for an aggregate consideration of HK\$600 million, which was satisfied by a promissory note which are carried at a total interest of HK\$36 million wholly payable on the maturity date, issued by the purchaser. The maturity date is 3 years from the issue date of the promissory notes.

Yi Tong Promissory Note

During the year ended 31 December 2012, the Group disposed of 70% equity interests in Heilongjiang Yi Tong Mining Company Limited at a consideration of HK\$230 million, of which approximately HK\$46 million was settled by cash and approximately HK\$184 million was settled by issuance of the promissory note issued by the purchaser. The maturity date is 3 years from the issue date of the promissory notes.

Bai Shan Promissory Note

During the year ended 31 December 2013, the Group has disposed 25% equity interest in Rui Sui Kuang Ye Company Limited in return for a promissory note receivable with a face value of HK\$500 million. The maturity date is 3 years from the issue date of the promissory notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



22. INVENTORIES

	Group	
	2013 HK\$'000	2012 HK\$'000
Finished goods	212,906	104,813

The cost of inventories recognised as expense during the year in respect of mining operation was approximately HK\$127,040,000 (2012: HK\$335,223,000). No provision of obsolete inventories was recognised for the year ended 31 December 2013 (2012: Nil).

23. TRADE AND BILLS RECEIVABLES

	Group	
	2013 HK\$'000	2012 HK\$'000
Trade and bills receivables	13,091	39,870
Less: Impairment loss on trade and bills receivables	–	–
	13,091	39,870

An aging analysis of the trade receivables and bills at the end of the reporting period, based on invoice date is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
0–30 days	699	20,297
31–60 days	2,411	10,140
61–90 days	317	9,433
91–180 days	9,664	–
Over 180 days but within one year	–	–
	13,091	39,870

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

23. TRADE AND BILLS RECEIVABLES (Continued)

Movements in impairment of trade and bills receivables are as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
At the beginning of year	–	6,999
Exchange realignment	–	(27)
Reversal of impairment	–	(6,972)
At the end of year	–	–

The aging of trade and bills receivables which are past due but not impaired are as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
31–60 days	2,411	10,140
61–90 days	317	9,433
Over 180 days but within one year	9,664	–
	12,392	19,573

For the year ended 31 December 2013 and 2012, trade debtors that were not impaired nor past due related to customers for whom there was no recent history of default. Based on experience, management believes that no impairment loss shall be recognised as there has not been a significant change in credit quality and the balances are still considered recoverable.

The directors consider that the fair values of trade receivables are not materially different from their carrying value because these amounts have short maturity period on their inception.

For the Group's mining operation, sales of molybdenum concentrates are largely on cash basis with no credit terms being granted to customers, except for sizable customers with good credit history, the Group will allow a credit term not more than 30 days.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 31 December 2013, balance of prepayments, deposits and other receivables included refundable investment deposits of HK\$380,735,000 (RMB300,000,000) in respect of a possible acquisition of a potassium mine located in Shangluo City, Luo Nan Xian, Shannxi Province, the PRC. The Group has initially announced a letter of intent for such possible acquisition on 22 April 2013 and a framework agreement has been entered into by potential vendor and the Group thereafter. On 30 December 2013, the Group and the potential vendor had further entered into a supplemental agreement to extend the period for fulfillment of precedent conditions of the above-mentioned acquisition. The investment deposits were secured by equity shares of the target company.

As at 31 December 2012, balances of prepayments, deposits and other receivables includes loan receivables of approximately HK\$67,667,000 (RMB55,000,000) in respect of loans granted to the minority shareholders of Jiu Long Kuang Ye, a principal subsidiary of the Group operating in exploitation of molybdenum mine. The loan receivables were secured by the minority shareholders' respective shareholdings in Jiu Long Kuang Ye, carried on interests of 3% per annum and recoverable in one year.

For the year ended 31 December 2013, no impairment loss provided on prepayments, deposits and other receivables which in the opinion of the directors, such balances are recoverable within 1 year. (2012: Nil)

The amount of the Group's and the Company's prepayments, deposits and other receivables are expected to be recovered or recognised as expense after more than one year was approximately HK\$519,000 (2012: HK\$519,000). All of the other prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

In the opinion of the directors, the fair values of prepayments, deposits and receivables are not materially different from their amounts because these amounts have short maturity periods on their inception.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

25. SHARE CAPITAL

	Notes	Company Number of shares '000	Nominal value HK\$'000
Authorised:			
Ordinary shares of HK\$0.016 each			
At 1 January 2012, at 31 December 2012 and at 1 January 2013 and at 31 December 2013		31,250,000	500,000
Issued and fully paid:			
At 1 January 2012		13,002,616	208,041
Placing of shares	(a)	300,000	4,800
Conversion of convertible notes	(b)	700,000	11,200
At 31 December 2012 and 1 January 2013		14,002,616	224,041
Conversion of convertible notes	(c)	430,000	6,880
At 31 December 2013		14,432,616	230,921

The movements in the Company's share capital are summarised as follows:

- (a) On 31 May 2012, the Company entered into a placing agreement with the placee, pursuant to which the Company has conditionally agreed to allot and issue and the placee has agreed to subscribe for 300,000,000 placing shares at a price of HK\$0.26 at par. The placee is an independent third party. The placing of shares raised HK\$78,000,000 and the allotment of shares was completed on 7 June 2012.
- (b) On 31 May 2012, the Company entered into a convertible note option agreement with an independent third party. Pursuant to the convertible note option agreement, the independent third party is eligible to subscribe for 700,000,000 shares and the conversion price shall be HK\$0.36. The conversion of convertible note option raised HK\$252,000,000 and the allotment of shares was completed on 17 December 2012.
- (c) On 31 March 2013, the Company entered into a convertible note option agreement with an independent third party. Pursuant to the convertible note option agreement, the independent third party is eligible to subscribe for 430,000,000 shares and the conversion price shall be HK\$0.29. The conversion of convertible note option raised HK\$124,700,000 and the allotment of shares was completed on 15 April 2013.

All new shares issued ranked pari passu with the existing shares in all respects.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



26. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 33 of the annual report.

The Company

	Share premium HK\$'000	Contribution surplus ^(a) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2012	2,256,805	115,615	(1,148,803)	1,223,617
Loss and total comprehensive loss of the year	–	–	(488,185)	(488,185)
Placing of shares	73,200	–	–	73,200
Conversion of convertible notes	240,800	–	–	240,800
At 31 December 2012	2,570,805	115,615	(1,636,988)	1,049,432
Profit and total comprehensive income of the year	–	–	451,603	451,603
Conversion of convertible notes	117,820	–	–	117,820
At 31 December 2013	2,688,625	115,615	(1,185,385)	1,618,855

Notes:

- (a) The contribution surplus represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation in 1995.

According to Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus. However, a company cannot declare or pay a dividend or make a distribution out of contributed surplus if (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; and (ii) the realizable value of the Company's assets would thereby be less than the aggregate its liabilities and its issued share capital and share premium accounts.

In the opinion of directors, the Company did not have any reserves available for distribution to shareholders at 31 December 2013 and 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

26. RESERVES (Continued)

The Company (Continued)

Notes: (Continued)

- (b) Included in the consolidated statement of changes in equity, statutory reserve comprises of (i) statutory surplus and statutory welfare fund reserves; and (ii) statutory reserve for safety production of molybdenum ore, which has been summarised below:

- (i) Statutory surplus and statutory welfare fund reserves

In accordance with articles of association of the Company's subsidiaries established in the PRC ("PRC Subsidiaries"), PRC Subsidiaries shall appropriate 10% of its annual statutory net profit (after net off against any prior years' losses), prepared in accordance with the accounting principles and financial regulations (the "GAAP") to the statutory surplus reserve. When the balance of such statutory surplus reserve reaches 50% of the entity's share capital, any further appropriation is optional.

- (ii) Statutory reserves for safety production of molybdenum ore

In accordance with regulations in the PRC relating to the mining industry, PRC subsidiary operates in mining operation is required to transfer an amount from retained profits to the statutory reserve account annually. The utilisation of the amount in the statutory reserve account is subject to the rules in the PRC Companies Law and the statutory reserves account is not available for distribution to equity holders.

- (c) Included in the consolidated statement of changes in equity, exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of the foreign operations.

27. DEFERRED TAX LIABILITIES

	Mining rights
	HK\$'000
At 1 January 2012	693,422
Transferred to assets classified as held for sales	(94,000)
Credited to profit or loss	(95,912)
Exchange adjustment	3,540
At 31 December 2012 and at 1 January 2013	507,050
Credited to profit or loss	(29,172)
Exchange adjustment	14,701
At 31 December 2013	492,579

The Group and the Company did not have any significant unprovided deferred tax liabilities at 31 December 2013 (2012: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



28. TRADE PAYABLES

	Group	
	2013	2012
	HK\$'000	HK\$'000
0–30 days	12,630	29,554
31–60 days	2,888	15,587
61–90 days	2,214	2,557
91–180 days	3,422	4,503
Over 180 days but within one year	47,008	63,401
	68,162	115,602

The directors consider that the carrying amounts of trade payables approximate to their fair values at the end of reporting period.

29. PROVISION FOR ENVIRONMENTAL AND RESOURCES TAX

	Group	
	2013	2012
	HK\$'000	HK\$'000
Environmental and resources tax	101,529	98,425
Analysed for reporting purposes as:		
Current portion	76,147	–
Non-current portion	25,382	98,425
	101,529	98,425

As at 31 December 2013, a subsidiary of the Group was demanded payment of the environmental and resources tax by the local authorities in the amounts of approximately HK\$101,529,000 (RMB80,000,000) upon renewing the its mining license.

30. OTHER PAYABLES AND ACCRUALS

All of the Group's and the Company's other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

The directors consider that the carrying amounts of other payables and accruals approximate to their fair values at the end of reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

31. BANK LOANS AND OTHER BORROWINGS

	Group	
	2013	2012
	HK\$'000	HK\$'000
Interest bearing bank loans, secured and other borrowing	231,498	94,611
Current portion	231,498	94,611

As at 31 December 2013, the Group had bank borrowings amounted to approximately HK\$114,094,000 (2012: HK\$94,611,000). As at 31 December 2013, the Group's interest bearing bank loans were carried at effective interest rates from 6.6% to 10.95% per annum and were secured by (i) the molybdenum concentrate as included in inventories amounted to 3,147 tons; (ii) personal guarantee from a subsidiary of the Group and the subsidiary's director; (iii) shareholdings of a subsidiary; (iv) corporate guarantee provided by an independent guarantee company with a counter-guarantee of property, plant and equipment provided by the Group's subsidiary; (v) personal guarantee from the subsidiary's minority shareholders.

Included in interest bearing bank loans, amount of RMB25,900,000, with a clause in their terms that gives the lender an overriding right to demand repayment without notice or at its sole discretion, is classified as current liabilities even though the directors do not expect that the lender would exercise their rights to demand repayment.

As at 31 December 2012, the Group's interest-bearing bank loans were carried at effective interest rates from 6.9% to 9.6% per annum and were secured by (i) a guarantee from an independent insurance company; (ii) the molybdenum concentrate as included in inventories amounted to 1,380 tons; (iii) personal guarantee from a subsidiary of the Group and the subsidiary's minority shareholders.

32. OTHER FINANCIAL LIABILITIES

On 19 July 2011, the Company issued an option ("CN Option") to potential subscribers the rights to fully or partially subscribe for the convertible notes within three years immediately after the issue date. The principal amount of the convertible notes was approximately HK\$754,000,000 from which HK\$124,700,000 has been subscribed and exercised in April 2013. The convertible notes are interest free with a maturity of three years from the date of issuance.

The fair value of the CN Option is determined using the Binomial Option Pricing Model with reference to the parameters listed and identified below:

	2013	2012
Share price (HKD)	0.310	0.510
Strike price (HKD)	0.290	0.290
Time to maturity (Year)	0.553	1.553
Risk free rate (%)	0.144	0.115
Credit spread (%)	2.330	2.850
Volatility (%)	43.670	46.09

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



33. AMOUNTS DUE TO RELATED PARTIES

Group

The amounts due to related parties are unsecured, carried at interest rate of 12% per annum and repayment of demand. The related parties are those minority shareholders and directors of the Group's subsidiary.

34. CONTINGENT LIABILITIES AND ASSETS AND CAPITAL COMMITMENTS

Contingent liabilities:

The Group had no other material contingent liabilities as at 31 December 2013 (2012: Nil).

Contingent assets:

During the year ended 31 December 2009, the directors of the Company discovered that, without their knowledge and consent, the land where the property development project held by a subsidiary of the Company in the PRC to be erected was surrendered to an independent party by the Group's joint venture partner in the property development project, in a suspected fraud ("Suspected Fraud Transaction"). The Company had reported the case to the PRC police and several persons involved in the Suspected Fraud Transaction has been arrested. As a result, a civil settlement agreement were entered between the joint venture partner and a subsidiary of the Company that the joint venture partner would compensates the Company (i) a sum of RMB30,000,000 in cash ("Cash Compensation"); and (ii) the entire equity holdings in Xian Communication University Second Affiliated Middle School Southern District with the market value of approximately RMB183,972,000 valued by an independent valuer as at 31 December 2009 ("Compensation Assets").

The Group has not recognised the Compensation Assets but disclosed in the consolidated financial statements as the inflow of economic benefits is probable but not yet virtually certain. As at the date of this report, the title of the Compensation Assets has not yet transferred to the Group. Nevertheless, dividend of approximately HK\$11,276,000 (2012: Nil) has been declared by the Compensation Assets.

Save as disclosed above, the Group had no other material contingent assets as at 31 December 2013 (2012: Nil).

Capital commitments:

As at 31 December 2013, the Group does not have any material capital commitments (2012: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

35. OPERATING LEASE COMMITMENTS

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:

	Group	
	2013 HK\$'000	2012 HK\$'000
Within one year	2,337	2,890
In the second to fifth years inclusive	219	3,226
After fifth years inclusive	940	–
	3,496	6,116

36. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group has the following balances and transactions with related parties:

(a) At the end of the reporting period, the Group entered into the following balances with related parties:

	Amount due from related parties		Amount due to related parties	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Related parties	–	–	59,750	67,577

The amounts outstanding are unsecured and will be settled in cash. No guarantee has been given or received. No expenses have been recognised in the period for bad or doubtful debts in respect of the amounts due from related parties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



36. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

Remuneration for key management personnel, including amount paid to the Company's directors and certain of the highest paid employees, as disclosed in Notes 10 and 11 to the consolidated financial statements is follows:

	2013 HK\$'000	2012 HK\$'000
Short-term employee benefits	2,883	2,563
Mandatory Provident Fund contribution	70	65
	2,953	2,628

37. MAJOR NON-CASH TRANSACTIONS

During the year end 31 December 2013, the Group has imputed interest income arising from amortisation of promissory note with amounts of approximately HK\$60,072,000 (2012: HK\$43,580,000)

During the year end 31 December 2013, the Group has gain arising from change in fair value of financial liabilities designed at fair value through profit or loss with amounts of approximately HK\$470,208,000 (2012: Loss of approximately HK\$624,009,000).

38. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2013, the Group has deregistered certain subsidiaries and incurred a loss of approximately HK\$7,000.

For the year ended 31 December 2012

- (i) The Group disposed of the entire equity interest in Longwell International Holdings Limited and its subsidiaries ("Longwell Group") at a cash consideration of HK\$170,000,000.
- (ii) The Group disposed of 70% equity interests in Heilongjiang Yi Tong Mining Company Limited at a consideration of HK\$230,000,000 of which HK\$46,000,000 has been satisfied by cash and HK\$184,000,000 was satisfied by a promissory notes issued by the Purchaser as disclosed in notes 21 to the consolidated financial statements.
- (iii) The Group disposed of 26% equity interests Jilin Province Rui Sui Kuang Ye Company Limited ("Rui Sui Kuang Ye") at a consideration of HK\$600,000,000 which was satisfied by a promissory notes issued by the Purchaser as disclosed in notes 21 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

38. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2012 (Continued)

The net assets of the Disposal Subsidiary at the date of disposal were as follows:

	Longwell Group HK\$'000	Yi Tong Mining HK\$'000	Rui Sui Kuang Ye HK\$'000	Total 2012 HK\$'000
Investment properties	194,377	–	–	194,377
Exploration and evaluation assets	–	–	3,343,587	3,343,587
Mining rights	–	376,000	–	376,000
Prepayments, deposits and other receivables	5,484	–	–	5,484
Other payables and accruals	(22)	–	(64,619)	(64,641)
Deferred tax liabilities (restated)	–	(94,000)	(814,142)	(908,142)
Statutory reserves	(3,007)	–	–	(3,007)
Exchange reserves	(56,319)	(605)	(4,769)	(61,693)
	140,513	281,395	2,460,057	2,881,965
Fair value change from re-measurement of assets and liabilities	32,623	–	(157,134)	(124,511)
	173,136	281,395	2,302,923	2,757,454
Less: Non-controlling interests	–	(78,108)	(1,120,422)	(1,198,530)
Less: Interest in an associate	–	–	(579,657)	(579,657)
	173,136	203,287	602,844	979,267
Gain/(Loss) on disposal	(3,136)	26,713	(2,844)	20,733
Total consideration	170,000	230,000	600,000	1,000,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



38. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2012 (Continued)

Net cash inflow arising on disposal:

	2012 HK\$'000
Cash consideration received	216,000
Bank balances and cash disposed of	–
	216,000

For the period from the beginning of the reporting period to the date of disposal of respective subsidiaries, no revenue nor results has been contributed by the disposal subsidiaries to the loss of the Group for the year ended 31 December 2012.

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

Financial assets

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Loans and receivables (including cash and cash equivalents)	2,294,057	1,777,322	48,286	84,088
Financial liabilities				
Fair value through profit or loss				
Designated as at FVTPL	176,801	647,009	176,801	647,009
Amortised cost	499,996	980,131	2,114	3,323
	676,797	1,627,140	178,915	650,332

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

40. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's treasury department, including the board of directors meets periodically to analyse and formulate strategies to manage and monitor the Group's exposure to variety of risk associate with financial instruments which arise from the Group's operating and investing activities. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The business transactions of the Group conducted during the year were mainly denominated and settled in either RMB or HKD. The Group currently does not have hedging policy in respect of the foreign currency risk. However, management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the needs arises.

Based on the market condition at end of reporting period, the Group determined that it is reasonably possible for RMB to strengthen/weaken by 10% against HKD in the coming twelve months (2012: 10%). Hence, 10% are the sensitivity rates used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and based on the assumption that other variables are held constant. A positive number below indicates an increase in profit or equity where RMB strengthens 10% against HKD. For a 10% weakening of RMB against HKD, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	2013 HK\$'000	2012 HK\$'000
Profit or loss ¹	7,849	6,850
Equity ²	92,783	176,667

Notes:

- (1) This is mainly attributable to the exposure outstanding on receivable and payable denominated in RMB at the end of the reporting period.
- (2) This is mainly attributable to the reserves which are denominated in RMB included in equity at the end of the reporting period.
- (3) In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rate except for bank borrowings. The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease in interest rate 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.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2013 would decrease/increase by HK\$1,157,490 (2012: HK\$473,055). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. Changes in interest rates have no impact on other comprehensive income for the year ended 31 December 2013.

(iii) Other price risk

The Group does not exposed to equity price risks as the Group does not have any equity investments at the end of the reporting period.

(b) 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 and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Credit risk on trade receivable is minimal because most of the transactions related to mining operation were made on cash basis with no credit term given to its customers, except for sizable customers and with good credit history with the Group. For the year ended 31 December 2013, the Group's management believes that no impairment loss shall be recognised (2012: Nil).

Credit risk on cash and bank balances is mitigated as counterparties are banks or financial institutions with high credit rating. Credit risk on prepayments, deposit and other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivables balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. As at 31 December 2013, the Group held collateral over its financial assets in respect of promissory note receivables which are secured by the mining rights held by the counterparty. Except for this, none of the Group's financial assets and securitised by collateral or other credit enhancements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The Group has net current assets of approximately HK\$49,366,000 (2012: net current liabilities HK\$394,936,000) and net assets of approximately HK\$3,604,340 at 31 December 2013 (2012: HK\$3,273,540). In the opinion of directors, the Group's exposure to liquidity risk is limited.

The following table details the remaining contractual maturities at each of end of reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rate or, if floating based on current rates at end of reporting period) and the earliest date the Group may be required to pay:

2013

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 years HK\$'000	Total HK\$'000
Trade payables	–	68,162	–	–	–	68,162
Other payables and accruals	–	140,586	–	–	–	140,586
Bank loans and other borrowings	6.6–10.95	–	–	231,498	–	231,498
Amount due to related parties	12	–	59,750	–	–	59,750
		208,748	59,750	231,498	–	499,996

2012

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 years HK\$'000	Total HK\$'000
Trade payables	–	115,602	–	–	–	115,602
Other payables and accruals	–	112,823	–	–	–	112,823
Bank loans and other borrowings	6.9–9.6	–	–	94,611	–	94,611
Amount due to related parties	12	–	67,577	–	–	67,577
		228,425	67,577	94,611	–	390,613

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value of financial instruments

The directors of the Company consider the fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts as stated in the consolidated statement of financial position because of the immediate or short-term maturity of these financial instruments. Accordingly, the analysis on fair values of non-current financial assets and liabilities were not disclosed because these are not materially different from their carrying amount.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2013

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Other financial assets	–	1,713,932	–	1,713,932
Financial liabilities				
Other financial liabilities	–	(176,801)	–	(176,801)

2012

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Other financial assets	–	1,229,931	–	1,229,931
Financial liabilities				
Other financial liabilities	–	(647,009)	–	(647,009)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value of financial instruments (Continued)

All of the Group's fair value measurement were revalued at the end of the reporting period. The valuations were carried out by an independent professional qualified valuer. The Group's management have discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting period.

During the years ended 31 December 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurements.

41. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the Company. The primary objectives of the Group's capital management are:

- (a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- (b) To support the Group's stability and growth; and
- (c) To provide capital for the purpose of the strengthening the Group's risk management capability.

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's total capital comprises all components of equity and net debt includes bank borrowing, trade payables and other payables and accruals, less cash and cash equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013



41. CAPITAL MANAGEMENT (Continued)

The Group's gearing ratio at 31 December 2013 and 2012 was as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Debts	499,996	390,613
Cash and cash equivalents	(44,907)	(368,501)
Net debts	455,089	22,112
Equity	3,604,340	3,273,540
Gearing ratio	12.63%	0.68%

42. EVENTS AFTER THE REPORTING PERIOD

On 22 April 2013, the Group and the Mr. Li Sheng Li and Ms. Ma Wei Min ("Vendors") have entered into a framework agreement in relation to the sale and purchase of entire equity interest in the China Potassium Shares Company Limited, its wholly owned subsidiaries, beneficially owns 70% equity interests in Shaanxi Province Luo Nan Xian Da Qin Jia Mining Company Limited and Shaanxi Province Luo Nan Xian Da Qin Jia Ye Company Limited. Up to the date of this financial statements authorised, the acquisition has not been completed.

SUMMARY OF FINANCIAL INFORMATION

RESULTS

	For the year ended 31 December				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Turnover	158,524	369,702	391,035	384,543	85,498
Profit/(Loss) from operations	150,200	(1,046,833)	(859,459)	(928,901)	753,996
Finance costs	(22,708)	(12,071)	(11,722)	(1,157)	(324)
Share of results of associates	(138)	(134)	–	–	(652)
Profit/(Loss) before income tax	127,354	(1,059,038)	(871,181)	(930,058)	753,020
Taxation	19,758	90,492	151,407	(135,544)	(195,580)
Profit/(Loss) for the year	147,112	(968,546)	(719,774)	(1,065,602)	557,440
Attributable to:					
Owners of the Company	194,012	(852,471)	(487,522)	(800,249)	670,228
Non-controlling interests	(46,900)	(116,075)	(232,252)	(265,353)	(112,788)
Profit/(Loss) for the year	147,112	(968,546)	(719,774)	(1,065,602)	557,440

ASSETS AND LIABILITIES

	As at 31 December				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Total Assets	4,894,754	4,926,155	6,129,099	7,651,822	7,399,975
Total Liabilities	(1,290,414)	(1,652,615)	(1,089,226)	(2,015,250)	(1,744,861)
	3,604,340	3,273,540	5,039,873	5,636,572	5,655,114
Equity attributable to:					
Owners of the Company	3,143,071	2,782,507	3,234,234	3,598,682	3,560,126
Non-controlling interests	461,269	491,033	1,805,639	2,037,890	2,094,988
	3,604,340	3,273,540	5,039,873	5,636,572	5,655,114