# DEJIN RESOURCES GROUP COMPANY LIMITED
# 德金資源集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1163)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

## ANNUAL RESULTS

The Board of Directors (the "Board") of Dejin Resources Group Company Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively hereafter referred to as the "Group") for the year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Revenue** | 3 | **17,486** | 35,881 |
| Cost of sales | | **(14,813)** | (31,570) |
| **Gross profit** | | **2,673** | 4,311 |
| Investment and other income | 4 | **4** | 126 |
| Other gains and losses | 5 | **(1,600,928)** | (4,180,961) |
| Selling and distribution costs | | **–** | (864) |
| Administrative expenses | | **(24,845)** | (47,878) |
| Other operating expenses | | **–** | (4,131) |
| **Operating loss** | | **(1,623,096)** | (4,229,397) |
| Finance costs | 6 | **(11,033)** | (38,335) |
| **Loss before taxation** | 7 | **(1,634,129)** | (4,267,732) |
| Income tax credit | 8 | **9,819** | 52,088 |
| **Loss for the year** | | **(1,624,310)** | (4,215,644) |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(1,622,208)** | (4,199,685) |
| Non-controlling interests | | **(2,102)** | (15,959) |
| | | **(1,624,310)** | (4,215,644) |
| **Dividends** | 9 | **–** | – |
| **Loss per share** | 10 | | (Represented) |
| – Basic and diluted | | **(HK$4.48)** | (HK$15.20) |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2013*

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss for the year** | **(1,624,310)** | (4,215,644) |
| **Other comprehensive income:** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising from: | | |
| – Translation of foreign subsidiaries | **236** | 6,121 |
| – Disposal of subsidiaries | **–** | 1,827 |
| **Total comprehensive expense for the year** | **(1,624,074)** | (4,207,696) |
| **Total comprehensive expense for the year attributable to:** | | |
| Owners of the Company | **(1,621,759)** | (4,191,161) |
| Non-controlling interests | **(2,315)** | (16,535) |
| | **(1,624,074)** | (4,207,696) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2013*

| | *Notes* | **2013** **HK$'000** | 2012 *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **6,572** | 12,704 |
| Exploration and evaluation assets | | **11,960** | 11,934 |
| Biological assets | | **40,000** | 80,000 |
| Land use rights | | **35,887** | 36,567 |
| Mining rights | | **1,250,000** | 2,800,000 |
| | | **1,344,419** | 2,941,205 |
| **Current assets** | | | |
| Inventories | | **–** | 7,168 |
| Trade and bills receivables | *11* | **4,940** | 28,897 |
| Prepayments, deposits and other receivables | | **11,497** | 11,498 |
| Cash and bank balances | | **2,116** | 7,550 |
| | | **18,553** | 55,113 |
| **Current liabilities** | | | |
| Trade payables | *12* | **4,810** | 27,538 |
| Other payables and accruals | | **27,749** | 31,431 |
| Promissory notes | | **11,000** | 10,860 |
| Convertible notes | | **843,000** | 832,308 |
| Obligation under finance leases | | | |
| – Due within one year | | **580** | 580 |
| Tax liabilities | | **13,720** | 13,692 |
| | | **900,859** | 916,409 |
| **Net current liabilities** | | **(882,306)** | (861,296) |
| **Total assets less current liabilities** | | **462,113** | 2,079,909 |

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Obligation under finance leases | | | |
| – Due more than one year | | **249** | 829 |
| Deferred tax liabilities | | **23,233** | 33,233 |
| Provision for land restoration and environmental cost | | **64,052** | 64,052 |
| | | **87,534** | 98,114 |
| **Net assets** | | **374,579** | 1,981,795 |
| **Capital and reserves** | | | |
| Share capital | *13* | **4,150** | 34,581 |
| Reserves | | **378,214** | 1,952,684 |
| **Equity attributable to owners of the Company** | | **382,364** | 1,987,265 |
| Non-controlling interests | | **(7,785)** | (5,470) |
| **Total equity** | | **374,579** | 1,981,795 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2013*

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Contributed surplus | Convertible notes reserve | Exchange reserve | Share based payment reserve | (Accumulated losses)/ retained profits | Subtotal | Non-controlling interests | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| As at 1 January 2012 | 917,407 | 4,183,629 | 286 | 97,146 | 8,455 | 42,225 | 518,148 | 5,767,296 | 11,065 | 5,778,361 |
| Loss for the year | – | – | – | – | – | – | (4,199,685) | (4,199,685) | (15,959) | (4,215,644) |
| Other comprehensive income/(expense) for the year | – | – | – | – | 8,524 | – | – | 8,524 | (576) | 7,948 |
| Total comprehensive (expense)/income for the year | – | – | – | – | 8,524 | – | (4,199,685) | (4,191,161) | (16,535) | (4,207,696) |
| Placing of new shares | 5,700 | 31,350 | – | – | – | – | – | 37,050 | – | 37,050 |
| Subscription of new shares | 33,800 | 26,600 | – | – | – | – | – | 60,400 | – | 60,400 |
| Share issuance expenses | – | (2,411) | – | – | – | – | – | (2,411) | – | (2,411) |
| Capital reduction | (978,159) | 978,159 | – | – | – | – | – | – | – | – |
| Conversion of convertible notes | 55,833 | 287,884 | – | (27,626) | – | – | – | 316,091 | – | 316,091 |
| As at 31 December 2012 | 34,581 | 5,505,211 | 286 | 69,520 | 16,979 | 42,225 | (3,681,537) | 1,987,265 | (5,470) | 1,981,795 |
| As at 1 January 2013 | **34,581** | **5,505,211** | **286** | **69,520** | **16,979** | **42,225** | **(3,681,537)** | **1,987,265** | **(5,470)** | **1,981,795** |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **–** | **(1,622,208)** | **(1,622,208)** | **(2,102)** | **(1,624,310)** |
| Other comprehensive income/(expense) for the year | **–** | **–** | **–** | **–** | **449** | **–** | **–** | **449** | **(213)** | **236** |
| Total comprehensive (expense)/income for the year | **–** | **–** | **–** | **–** | **449** | **–** | **(1,622,208)** | **(1,621,759)** | **(2,315)** | **(1,624,074)** |
| Placing of new shares | **692** | **16,598** | **–** | **–** | **–** | **–** | **–** | **17,290** | **–** | **17,290** |
| Share issuance expenses | **–** | **(432)** | **–** | **–** | **–** | **–** | **–** | **(432)** | **–** | **(432)** |
| Capital reduction | **(31,123)** | **31,123** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| As at 31 December 2013 | **4,150** | **5,552,500** | **286** | **69,520** | **17,428** | **42,225** | **(5,303,745)** | **382,364** | **(7,785)** | **374,579** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2013*

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Cash flows from operating activities** | | |
| Loss before taxation | **(1,634,129)** | (4,267,732) |
| Adjustment for: | | |
| Finance costs | **201** | 138 |
| Imputed interest on promissory notes and convertible notes | **10,832** | 38,197 |
| Interest income | **–** | (5) |
| Loss arising from changes in fair value less estimated point-of-sale | **40,000** | 210,000 |
| Loss on disposal of subsidiaries | **–** | 4,695 |
| Depreciation | **6,235** | 6,694 |
| Amortisation of land use rights | **972** | 1,410 |
| Amortisation of mining rights | **–** | 300 |
| Impairment of mining rights | **1,550,000** | 3,922,440 |
| Provision for obsolete inventories | **7,168** | 8,000 |
| Impairment of trade and other receivables | **10,928** | 43,830 |
| Operating loss before working capital changes | **(7,793)** | (32,033) |
| Decrease in inventories | **–** | 260 |
| Decrease/(increase) in trade and bills receivables | **13,184** | (29,314) |
| (Increase)/decrease in prepayments, deposits and other receivables | **(306)** | 73,833 |
| (Decrease)/increase in trade payables | **(22,728)** | 25,523 |
| (Decrease)/increase in other payables and accruals | **(3,775)** | 12,900 |
| Cash (used in)/generated from operations | **(21,418)** | 51,169 |
| Interest received | **–** | 5 |
| Interest paid | **(201)** | (138) |
| Corporate income tax paid | **(153)** | (412) |
| Net cash (used in)/generated from operating activities | **(21,772)** | 50,624 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(18)** | (15) |
| Purchase of exploration and evaluation assets | **–** | (78,000) |
| Cash effect of disposal of subsidiaries | **–** | 610 |
| Net cash used in investing activities | **(18)** | (77,405) |

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Cash flows from financing activities** | | |
| Repayments of obligation under finance leases | **(580)** | (1,142) |
| Repayments of promissory notes | **–** | (69,000) |
| Proceeds from placing of new shares | **16,858** | 36,148 |
| Proceeds from subscription of new shares | **–** | 58,891 |
| Repayment of amount due to a related company | **–** | (37) |
| Net cash generated from financing activities | **16,278** | 24,860 |
| **Net decrease in cash and cash equivalents** | **(5,512)** | (1,921) |
| Cash and cash equivalents as at 1 January | **7,550** | 9,788 |
| Effect of foreign exchange rate changes, net | **78** | (317) |
| **Cash and cash equivalents as at 31 December represented by cash and bank balances** | **2,116** | 7,550 |

*Notes:*

## CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activity of the Company is investment holding.

## 1. Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis except for biological assets and financial instruments that measured in fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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.

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of the following:

(i) The Group incurred a net loss of approximately HK$1,624.3 million for the year ended 31 December 2013 and the Group's current liabilities exceeded its current assets by approximately HK$882.3 million as at 31 December 2013; and

(ii) The outstanding principal amount of Convertible Notes ("CN") of HK$843.0 million had been matured on 13 May 2013.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Company has proposed to: (i) extend the maturity date of the CN for a further three years from 13 May 2013 to 13 May 2016; (ii) amend the conversion price of the CN from HK$24 to HK$0.30 per Share (the "Proposed Alternation"). Nevertheless, these consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon whether all relevant approvals such as shareholders' approval, regulatory approvals and, where necessary, the court approvals of the Proposed Alternation can be obtained. As at the date of this announcement, the Company has obtained 100% consent to the Proposed Alteration from all the existing holders of the CN. Furthermore, the Company obtained adequate financial support from the holder of the CN and the holder of the promissory notes agreed to extend the maturity date for a further three years to 13 May 2016. Under this circumstance, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2013 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

## 2. Application of new and revised Hong Kong Financial Reporting Standards

The principal accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the Group's financial statements for the year ended 31 December 2013.

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA.

| | |
|---|---|
| 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 1, HKAS 1, HKAS 16, HKAS 32 and HKAS 34. | Annual Improvements to HKFRSs (2009-2010) |

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 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates and introduces new disclosure requirements for unconsolidated structured entities; and

(iii) 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.

## 3. Segment information

The Group's operating segments, reported to the chief operating decision maker, an executive director of the Group, for the purposes of resource allocation and performance assessment are as follows:

1. Mining operation

2. Forestry operation

3. Lighting operation

### 3.1 Operating segment information

| | Segment revenue | | Segment results | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Mining operation | **6,684** | 4,713 | **800** | 1,650 |
| Forestry operation | **2,028** | 2,361 | **604** | 406 |
| Lighting operation | **8,774** | 28,807 | **1,269** | 2,255 |
| Total | **17,486** | 35,881 | **2,673** | 4,311 |
| Interest income and other gains and losses | | | **(1,600,924)** | (4,180,835) |
| Central administration costs | | | **(24,845)** | (52,873) |
| Finance costs | | | **(11,033)** | (38,335) |
| Loss before taxation | | | **(1,634,129)** | (4,267,732) |

Segment revenue reported above represents revenue generated from external customers. There were no inter segment sales in the current year (2012: Nil).

*Segment assets and liabilities*

| | Segment assets | | Segment liabilities | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Mining operation | **1,274,570** | 2,833,948 | **81,873** | 76,860 |
| Forestry operation | **75,006** | 115,807 | **15,704** | 25,614 |
| Lighting operation | **–** | 28,901 | **13,692** | 41,441 |
| Subtotal | **1,349,576** | 2,978,656 | **111,269** | 143,915 |
| Unallocated | **13,396** | 17,662 | **877,124** | 870,608 |
| Total | **1,362,972** | 2,996,318 | **988,393** | 1,014,523 |

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

– all assets are allocated to reportable segments other than intangible assets and assets used jointly by reportable segments.

– all liabilities are allocated to reportable segments other than derivative financial instruments, bank borrowings, deferred tax liabilities and liabilities for which reportable segments are jointly liable.

*Other segment information*

| | Depreciation and amortisation | | Capital expenditures | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Mining operation | **6,048** | 5,405 | **–** | 78,015 |
| Forestry operation | **1,159** | 2,999 | **–** | – |
| | **7,207** | 8,404 | **–** | 78,015 |

In addition to the depreciation and amortisation reported above, the impairment losses of HK$10,928,000 (2012: HK$43,830,000) were recognised in respect of trade and other receivables. These impairment losses were attributable to the following reportable segments:

| | Impairment losses recognised | | | |
|---|---|---|---|---|
| | Mining rights | | Trade and other receivables | |
| | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Mining operation | **1,550,000** | 3,922,440 | **517** | – |
| Forestry operation | **–** | – | **–** | 18,646 |
| Lighting operation | **–** | – | **10,411** | 25,184 |
| | **1,550,000** | 3,922,440 | **10,928** | 43,830 |

The Group also recognised the loss arising from changes in fair value less estimated point-of-sale cost of timber holdings of approximately HK$40,000,000 (2012: loss of HK$210,000,000) which was related to forestry operation.

## 3.2 Geographical information

The Group's operations were 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** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| The People's Republic of China (the "PRC") | **17,486** | 35,881 | **1,349,575** | 2,949,755 |
| Others* | **–** | – | **13,397** | 46,563 |
| | **17,486** | 35,881 | **1,362,972** | 2,996,318 |

* Others represented unallocated items.

## 4. Investment and other income

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **–** | 5 |
| Other income | **4** | 121 |
| | **4** | 126 |

## 5. Other gains and losses

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss on disposal of subsidiaries | **–** | (4,695) |
| Loss arising from changes in fair value less estimated point-of-sale cost of timber holdings | **(40,000)** | (210,000) |
| Net foreign exchange gain | **–** | 4 |
| Impairment loss recognised in respect of trade and other receivables | **(10,928)** | (43,830) |
| Impairment loss recognised in respect of mining rights | **(1,550,000)** | (3,922,440) |
| | **(1,600,928)** | (4,180,961) |

## 6. Finance costs

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank overdrafts and loans | **120** | 3 |
| Interest on obligations under finance leases | **81** | 135 |
| Imputed interest on promissory notes | **140** | 3,566 |
| Imputed interest on convertible notes | **10,692** | 34,631 |
| | **11,033** | 38,335 |

**7. Loss before taxation**

Loss before taxation was arrived at after charging:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Depreciation of property, plant and equipment | **6,235** | 6,694 |
| Amortisation of land use rights | **972** | 1,410 |
| Amortisation of mining rights | **–** | 300 |
| Provision for obsolete inventories | **7,168** | 8,000 |

**8. Income tax credit**

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| PRC enterprise income tax | **(181)** | (412) |
| Deferred tax charge to profit and loss | **10,000** | 52,500 |
| | **9,819** | 52,088 |

No provision for Hong Kong profits tax has been made since the Group incurred taxation losses for the year (2012: Nil). The PRC enterprise income tax has been provided at the rate of 25% (2012: 25%).

**9. Dividends**

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

## 10. Loss per share

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss:** | | |
| Loss for the purpose of basic loss per share attributable to owners of the Company | **(1,622,208)** | (4,199,685) |
| Effect of dilutive potential ordinary shares: | | |
| Imputed interest on convertible notes | **10,692** | 34,631 |
| Loss for the purpose of diluted loss per share attributable to owners of the Company | **(1,611,516)** | (4,165,054) |

| | | (Represented) |
|---|---|---|
| | **2013** | 2012 |
| | ***'000*** | *'000* |
| **Number of shares:** | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **361,916** | 276,224 |
| Effect of dilutive potential ordinary shares: | | |
| Convertible notes issued by the Company | **35,125** | 35,125 |
| Weighted average number of ordinary shares for the purpose of diluted loss per share | **397,041** | 311,349 |

For the years ended 31 December 2013 and 31 December 2012, no dilutive loss per share has been presented as the outstanding share options for the year had an anti-dilutive effect on the basic loss per share as the exercise price of the share options was higher than the average market price of the Company's ordinary shares, and the conversion of the Company's outstanding convertible notes could result in a decrease in the loss per share.

## 11. Trade and bills receivables

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, was as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **4,940** | 1,901 |
| 31 – 90 days | **–** | 2,806 |
| 91 – 180 days | **–** | 15,667 |
| 181 – 360 days | **–** | 8,523 |
| | **4,940** | 28,897 |

Trading terms with customers are largely on credit, except for new customers, where trade deposits, advances or payments in advance are normally required. Invoices are normally payable within 30 to 90 days of issuance by letters of credit or on an open account basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. Trade receivables were non-interest bearing.

## 12. Trade payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, was as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 90 days | **4,810** | 5,305 |
| 91 – 180 days | **–** | 3,470 |
| 181 – 360 days | **–** | 18,763 |
| | **4,810** | 27,538 |

The trade payables were non-interest bearing and were normally settled on 60 days terms.

## 13. Share capital

| | | Company | |
|---|---|---|---|
| | *Notes* | **Number of shares** *'000* | **Nominal values** *HK$'000* |
| **Authorised:** | | | |
| Ordinary shares of HK$0.1 each | | | |
| As at 1 January 2012 | | 25,000,000 | 2,500,000 |
| Share consolidation | *a(i)* | (18,750,000) | – |
| Ordinary shares of HK$0.4 each | | 6,250,000 | 2,500,000 |
| Share sub-division | *a(ii)* | 243,750,000 | – |
| As at 31 December 2012, ordinary shares of HK$0.01 each | | 250,000,000 | 2,500,000 |
| Share consolidation | *b(i)* | (225,000,000) | – |
| Ordinary shares of HK$0.1 each | | 25,000,000 | 2,500,000 |
| Share sub-division | *b(ii)* | 225,000,000 | – |
| As at 31 December 2013, ordinary shares of HK$0.01 each | | 250,000,000 | 2,500,000 |
| **Issued and fully paid:** | | | |
| Ordinary shares of HK$0.1 each | | | |
| As at 1 January 2012 | | 9,174,066 | 917,407 |
| Issuance of shares pursuant to conversion of convertible notes | | 558,333 | 55,833 |
| Subscription of new shares | | 300,000 | 30,000 |
| Share consolidation | *a(i)* | (7,524,299) | – |
| Ordinary shares of HK$0.4 each | | 2,508,100 | 1,003,240 |
| Capital reduction | *a(iii)* | – | (978,159) |
| Ordinary shares of HK$0.01 each | | 2,508,100 | 25,081 |
| Subscription of new shares | | 380,000 | 3,800 |
| Placing of new shares | | 570,000 | 5,700 |
| As at 31 December 2012, ordinary shares of HK$0.01 each | | 3,458,100 | 34,581 |
| Share consolidation | *b(i)* | (3,112,290) | – |
| Ordinary shares of HK$0.1 each | | 345,810 | 34,581 |
| Capital reduction | *b(iii)* | – | (31,123) |
| Ordinary shares of HK$0.01 each | | 345,810 | 3,458 |
| Placing of new shares | | 69,160 | 692 |
| As at 31 December 2013, ordinary shares of HK$0.01 each | | 414,970 | 4,150 |

*Notes:*

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

(a) On 3 April 2012, the Company proposed to effect the capital reorganisation which became effective on 10 May 2012 being approved by the shareholders of the Company (the "Capital Reorganisation I"). The Capital Reorganisation I involved the following:

 (i) every four existing shares of HK$0.1 each in both the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$0.4 each ("Share Consolidation I");

 (ii) immediately following the Share Consolidation I, each unissued consolidated share in the authorised but unissued share capital of the Company was sub-divided into forty shares so that the nominal value of each unissued consolidated share was reduced from HK$0.4 to HK$0.01 each; and

 (iii) the paid up capital of each issued consolidated share was reduced from HK$0.4 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.39 so as to form a new share with a nominal value of HK$0.01 each.

(b) On 12 November 2012, the Company proposed to effect the capital reorganisation which became effective on 10 January 2013 being approved by the shareholders (the "Capital Reorganisation II"). The Capital Reorganisation II involved the following:

 (i) every ten existing shares of HK$0.01 each in both the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$0.1 each ("Share Consolidation II");

 (ii) immediately following the Share Consolidation II, each unissued consolidated share in the authorised but unissued share capital of the Company was sub-divided into ten shares so that the nominal value of each unissued consolidated share was reduced from HK$0.1 to HK$0.01 each ("Share Sub-division II"); and

 (iii) the paid up capital of each issued consolidated share was reduced from HK$0.1 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.09 so as to form a new share with a nominal value of HK$0.01 each ("Capital Reduction II").

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Turnover generated for the year ended 31 December 2013 amounted to HK$17.5 million (31 December 2012: HK$35.9 million), representing a 51.3% decrease over the previous year. The decrease was attributable to several factors including the sluggish economy leading to a significant reduction of sales orders of lighting products and the weak performance reported from both forestry and mining segments.

Loss attributable to the shareholders of the Company for the year amounted to HK$1,622.2 million (31 December 2012: HK$4,199.7 million). The loss mainly arose from the poor performance of all business segments, the non-cash imputed interest on promissory notes and convertible notes issued by the Company and the impairment loss recognised in respect of mining rights and biological assets during the year.

As at 31 December 2013, the Group's total equity amounted to HK$374.6 million, a decrease of HK$1,607.2 million over the audited figure as at 31 December 2012 of HK$1,981.8 million. The net asset value per share attributable to owners of the Company as at 31 December 2013 was HK$0.90 (31 December 2012: Represented HK$5.73).

## MINING SEGMENT

For the year under review, the total amount of unprocessed gold ore sold to customers was approximately HK$2.5 million. The development status of each mine remained unchanged compared with the last financial year end. Given the maturity of the Convertible Notes in May 2013, the management has prioritized their efforts to negotiate with the Note Holders to agree to the Proposed Alternation in order to enable the Company's survival. All commercial exploration and production have been suspended since then at all the acquired gold mines in Hebei and Shandong. Talks regarding the integration of the gold mine resources in Longhua County and Qinglong County are still in progress. Again, management will not allocate any resources to Longhua mines until the litigation is satisfactorily settled. In Qinglong County, except for Chilong and Zijin mines, the integration progress of the other gold mines has been stopped as the Group has limited funds to carry out further consolidation and reorganisation of gold mines at this moment. As such, the impairment loss of mining rights has been recognised in this regard. Management is always very cautious in allocating appropriate resources to individual mines. In the mean time, the Group is actively looking for any opportunities to raise funds to meet the future capital expenditures required in the mining business. Chilong and Zijin mines will be considered for development first as they have established infrastructure in place which will incur a comparably smaller amount of initial capital outlay. This is essential in the Group's current circumstances. For the rest of the mines, a minimal amount of maintenance work will be carried out. However, management will monitor the financial position of the Group in a timely manner and revise the production schedule of gold mines if necessary so as to maximize the benefit to the Group as a whole.

In late December 2013, the Group incorporated a wholly owned foreign enterprise in China (Shanghai) Pilot Free Trade Zone which the principal activity is trading of mineral products. For the year under review, the reported turnover was approximately HK$4.2 million. The Group is actively looking for more business opportunities in order to improve its financial performance in the coming financial year.

In assessing the recoverable amounts of the mining rights, the Group appointed an independent professional valuation firm, Castores MAGI Asia Limited, who used the income capitalization approach under the basis of discounted cashflow valuation method (the "DCF"). The sources and inputs of the DCF mainly consist of (i) sales of gold ore, taken the assumption based on the average gold ore price based on the gold comparables disclosed in the Shanghai Gold Exchange, supported by the corresponding gold mine production schedule; and (ii) major operating expenses, taking into account management's best estimate of future cash outflow including changes in working capital and the incremental capital expenditure foreseeable to be included. In the opinion of the Directors, such adopted DCF method would best reflect the value in use of the Group's mining rights.

With reference to its estimated market value provided by an independent qualified valuer, the Group recognised the impairment loss of mining rights of approximately HK$1,550.0 million in the consolidated financial statements. The recoverable amount of mining rights further reduced to HK$1,250.0 million as at 31 December 2013. The decrease in the mining rights was mainly due to the further delay in the production schedule of each individual gold mine and the significant reduction of capital expenditures incurred. These factors have led to the sharp fall in the projected production volume of gold ore which in turn significantly reduced the time value of money of the mining rights.

**FORESTRY SEGMENT**

The performance of the forestry segment remained unsatisfactory and the turnover was approximately HK$2.0 million, compared to HK$2.4 million reported last year. Due to the stringent environmental law implemented in the PRC, the Group has not obtained a sufficient logging quota permit as previously projected. As such, the Group has to refine the logging schedule and scale down the production volume which resulted in reduced turnover in recent years. In addition, the increment in both production costs and labor costs had also led to the operating loss in the reportable forestry segment.

In assessing the recoverable amounts of biological assets, the Group assessed the value in use for the biological assets by appointing an independent professional valuation firm, Castores MAGI Asia Limited, who used the income capitalization approach under DCF. The sources and inputs of the DCF mainly consist of (i) sales of timber; and (ii) major operating expenses, taking into account management's best estimate of future cash outflow including changes in working capital and the incremental capital expenditure foreseeable to be included. In the opinion of the Directors, such adopted DCF method would best reflect the value in use of the Group's fair value less estimated point-of-sale of timber holdings as at year end.

With reference to its estimated market value provided by an independent qualified valuer, the Group recognised the loss arising from the changes in fair value less estimated point-of-sale cost of timber holdings of approximately HK$40.0 million as at the year ended 31 December 2013. The contraction of timber turnover, the reduction of the production volume and the postponement of the logging plan had led to the impairment loss which reduced the recoverable amounts of the biological assets as at the year end.

**LIGHTING SEGMENT**

Turnover derived from the lighting segment amounted to approximately HK$8.8 million, representing a fall of about 69.5% as compared to last year. Faced with severe competition in the domestic market and the shrinking margin of lighting products, the Group has reported a consecutive loss in the lighting segment due to the rising labor costs and the contraction of customer orders. In light of the adverse factors as discussed above, the Group does not exclude the possibility of reallocating existing resources from the lighting segment to the mining segment which will be the core business segment in the long run.

**PROSPECTS**

The Group's mining and forestry business requires significant and continuous capital investment. In light of the tight liquidity position of the Group, the lack of sufficient resources of the Group has resulted in a delay in the production schedules of both the mining and forestry businesses. As such, management will continue to oversee the situation and re-assess the production schedules in a timely manner. Nevertheless, the Company does not exclude the possibility of incurring further impairment losses in relation to the mining rights and biological assets if the development progress does not show any significant improvement in the coming financial year.

In order to strengthen the Group's competitiveness in the mining business, management is also looking for opportunities to enter into other peripheral mining related business so as to provide the Group with an opportunity to diversify into trading business and to generate income from such business.

## FINANCIAL RESOURCES AND LIQUIDITY

The financial leverage of the Group as at 31 December 2013, compared to 31 December 2012, is summarized below:

| | **As at** | |
|---|---|---|
| | **31 December 2013** | 31 December 2012 |
| | ***HK$'000*** | *HK$'000* |
| Debt | | |
| – from obligations under finance leases | **829** | 1,409 |
| – from promissory notes | **11,000** | 10,860 |
| – from convertible notes | **843,000** | 832,308 |
| Total debt | **854,829** | 844,577 |
| Cash and bank balances | **2,116** | 7,550 |
| Net debt | **852,713** | 837,027 |
| Total capital (Equity and total debt) | **1,229,408** | 2,826,372 |
| Total assets | **1,362,972** | 2,996,318 |
| Financial leverage | | |
| – total debt to total capital | **69.5%** | 29.9% |
| – total debt to total assets | **62.7%** | 28.2% |
| – net debt to total capital | **69.4%** | 29.6% |
| – net debt to total assets | **62.6%** | 27.9% |

## CAPITAL STRUCTURE

On 9 January 2013, Capital Reorganisation II that involved Share Consolidation II, Share Subdivision II and Capital Reduction II was approved by the Company's shareholders. Subsequent to the Capital Reorganisation II, the paid up capital of an issued share remained at HK$0.01 each. During the year, the Company also completed a placing of new shares in October 2013 and successfully raised the net amount of approximately HK$16.9 million for general working capital purpose. As at 31 December 2013, the issued share capital of the Company reduced to HK$4.2 million (31 December 2012: HK$34.6 million), represented by approximately 415.0 million ordinary shares as at 31 December 2013 (31 December 2012: approximately 3,458.1 million ordinary shares).

Subsequent to such Capital Reorganisation II, the conversion price of the outstanding convertible notes is adjusted from HK$2.4 per share to HK$24.0 per new share. As at 31 December 2013, there are outstanding convertible notes in the principal amount of HK$843,000,000. The exercise price of the outstanding share options is adjusted from HK$0.4 per share to HK$4.0 per new share and the number of shares to be subscribed for the share options granted is adjusted from 146,500,000 shares to 14,650,000 new shares.

## PLEDGE OF ASSETS

As at 31 December 2013, the Group had no assets pledged for general banking facilities granted to the Group or as security for any debt or borrowings (31 December 2012: Nil).

## CONTINGENT LIABILITIES

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

## FOREIGN EXCHANGE EXPOSURE

The Group operates and invests mainly in Hong Kong and Mainland China, with revenue and expenditures denominated in Hong Kong dollars and Renminbi. The Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposure at appropriate times. There were no derivative financial instruments employed during the year ended 31 December 2013.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group had approximately 35 employees (31 December 2012: approximately 70 employees). We remunerate our employees based on their performance and prevailing industry practice. Remuneration policies will be reviewed by the Board on a periodical basis to maintain the Group's competitiveness in the market. In addition, discretionary bonuses and employee share options will be awarded to employees based on their performance in order to motivate and retain our employees.

## LITIGATION

In October 2011,北京清大德氏科技有限公司(transliterated as Beijing Tsingda Deshi Technology Limited) ("Tsingda Deshi"), a joint venture company established in the PRC with limited liability, 75% of the entire registered capital of which is owned by the Company, became aware of an order (the "Distress Order") made by 河北省承德市中級人民法院 (transliterated as The Intermediate People's Court of Chengde City, the Hebei Province), for the freezing of (i) the assets of Tsingda Deshi in its two subsidiaries, namely the 80% equity interests in 承德隆鑫礦業有限公司 ("Longxin Mining") and the 93.75% equity interests in 隆化縣龍德礦業有限公司 ("Longde Mining"); and (ii) the exploitation licence of Longxin Mining and Longde Mining, respectively, pending the outcome of a contractual claim (the"Litigation") taken out by the plaintiff against Tsingda Deshi.

The plaintiff is one of the shareholders of Longxin Mining. The plaintiff alleged that pursuant to an agreement (the "Alleged Agreement") between him (for himself and on behalf of a minority shareholder of Longxin Mining) and Tsingda Deshi, which was dated 26 March 2010, in relation to the subscription for 80% equity interest in Longxin Mining by Tsingda Deshi and further capital injection by Tsingda Deshi to the gold mine owned by Longxin Mining, Tsingda Deshi has failed to inject such capital and is in breach of the Alleged Agreement.

The Company was informed by the legal representative of Tsingda Deshi that Tsingda Deshi has neither entered into the Alleged Agreement nor any other written or verbal agreements (either explicit or implicit) with the plaintiff regarding its interest in Longxin Mining and/or Longde Mining. The Board noted that the Alleged Agreement was dated before the completion (the "Completion") of the acquisition of the gold mines in Hebei Province, the PRC in May 2010 pursuant to the sale and purchase agreement (the "SPA") entered into by the Group on 16 September 2009. Nevertheless, the Board takes the view that the Company is fully protected by the warranties given by the vendor in the SPA given that the Group was not aware of the Alleged Agreement before Completion. Hence, the Board believes that the Litigation should not have a material impact on the Group's operation and assets. As at the date of the approval of the audited consolidated financial statements, the Litigation is still in progress.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The auditor of the Company included a section of "Emphasis of matter" in their independent auditor's report, the detail of which are set out as follows:

Without qualifying our opinion, we draw attention to note 1 to the consolidated financial statements which indicates that as of 31 December 2013, the Group's current liabilities exceed its current assets by approximately HK$882,306,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the passing of an ordinary resolution by the independent shareholders at the special general meeting held on 29 March 2014 to approve the proposed alternation of the terms of the convertible notes and whether all relevant approvals such as shareholders' approval, regulatory approvals and, where necessary, the court approvals can be obtained. This condition indicates the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

## CORPORATE GOVERNANCE

The Board has reviewed the Group's corporate governance practices and is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Listing Rules for the year ended 31 December 2013, except for code provision C.1.2.

The code provision C.1.2 provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties.

As the monthly movement and changes in percentage of the Company's financial information as required and set out in the code provision C.1.2 are not sufficient to give meaningful assessment of the Company's update performance, position and prospects in each month during the year 2013. The Board had decided that the Directors should be furnished with half-yearly and yearly financial information, together with (where appropriate), background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents and other relevant internal financial statements.

The Directors will from time to time review the Company's compliance of this code provision and will comply with it when and where appropriate.

## AUDIT COMMITTEE

The Audit Committee of the Company, which comprises the four independent non-executive directors of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the audited consolidated financial statements for the year ended 31 December 2013.

## DIRECTORS OF THE COMPANY

As at the date of this announcement, the Board comprises seven executive directors of the Company, namely, Mr. Cheung Wai Yin, Wilson, Mr. Tian Lidong, Mr. Chan Ka Wing, Mr. Tsai Wallen, Mr. Mow Tai Loy, Mr. Lau Chi Yan, Pierre and Mr. Zhao Zhibin; and four independent non-executive directors of the Company, namely, Mr. Fu Wing Kwok, Ewing, Ms. Pang Yuen Shan, Christina, Ms. Yeung Mo Sheung, Ann and Mr. Ma Ning.

By Order of the Board
**Dejin Resources Group Company Limited**
**Cheung Wai Yin, Wilson**
*Chairman*

Beijing, 26 March 2014