# CHINA YUNNAN TIN MINERALS GROUP COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 263)

# 2014 ANNUAL REPORT

# Contents

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-executive Directors

Wong Yun Kuen
Wong Shun Loy
Hu Chao

## AUDIT COMMITTEE

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

## NOMINATION COMMITTEE

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

## REMUNERATION COMMITTEE

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

## COMPANY SECRETARY

Leung Ka Wai

## TRADING OF SHARES

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

## REGISTERED OFFICE

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

## PRINCIPAL BANKERS

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

## PRINCIPAL LEGAL ADVISERS

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

## AUDITORS

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

## SHARE REGISTRARS AND TRANSFER OFFICE

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

## WEBSITE

www.cytmg.com

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Yunnan Tin Minerals Group Company Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014.

## BUSINESS REVIEW

During the year, the global economy has been struggling to gain momentum. Many developed countries continue to grapple with legacies of the global economic crisis and emerging economies are less dynamic than in the past. Global growth in 2014 was lower than initially expected, continuing a pattern of disappointing outturns over the past several years.

Commodity prices continue to be soft. The market price of iron ore product has experienced a drop of about 30% since the beginning of the year 2014. As a result of the significant drop in the iron ore price, the Group recognised an impairment loss of approximately HK$119,000,000 on the mixed metal mine for the year ended 31 December 2014.

For the year ended 31 December 2014, the Group recorded a profit attributable to equity holders of the Company of approximately HK$180,856,000 (2013: loss attributable to equity holders of HK$178,000). Such a significant improvement was mainly due to the recognition of a gain on financial assets at fair value through profit or loss of approximately HK$330,522,000 (2013: HK$49,412,000) after netting off an impairment loss of approximately HK$119,000,000 (2013: reversal of impairment on mining right of HK$17,000,000) in respect of the mining rights for Group's mixed metal mine (the "Mine").

Minerals operation is one of the Group's principal activities. Due to a notice issued by the Department of Land and Resources of Lian Nan Yao Autonomous County (連南瑤族自治縣國土資源局) ordering the suspension of all mining operations in the Lian Nan County until further notice since 16 February 2012 (the "Order"), the Group has stopped its minerals operation and therefore, there was no turnover generated from this division for the year ended 31 December 2014 (2013: nil). As was stated in the 2013 Annual Report, due to severe damages caused by the heavy rainfalls in the past, the PRC Government as well as the Group have been doing repair work for the highway and the roads leading to the Mine respectively, but up to the date of this report, full repair work has still not yet been competed enabling full accessibility of the area surrounding and leading up to the Mine, by cars, trucks and other transportations. The Group has been continuing to pursue the uplift of the Order with the relevant governmental authorities of the PRC (the "Authorities"). But up to the date of this report, there is still no concrete and clear indication given by the Authorities as to when the Order will be uplifted.

# CHAIRMAN'S STATEMENT

## PROSPECTS

2015 will be a year full of challenges and opportunities for the Group.

On 18 August 2014, it was announced that a subsidiary of the Company entered into a sale and purchase agreement (as amended and supplemented by the supplemental agreement dated 18 August 2014) in relation to the acquisition of 40% of the total issued share capital of China Sky Holdings Limited (the "Target Company" and together with its subsidiaries, the "Target Group") at the consideration of HK$370,000,000 (the "Acquisition"). The Target Group is principally engaged in the development, construction and building management of the Development Project which is located in Chongqing, the PRC. The "Development Project" comprises a residential and commercial complex, known as "Jintang New City Plaza*" (金唐新城市廣場), which is situated at Long Tower Street* in the west southern part of the Yubei Zone, Chongqing City (重慶渝北區龍塔街道), Chongqing, the PRC with a site area of approximately 30,817 square meters. On 16 March 2015, the Board announced that all conditions precedent under the Sale and Purchase Agreement have been fulfilled and the transaction was completed. Upon Completion, the Company will be beneficially interested in 40% of the entire issued share capital of the Target Company and the Target Group will become an associate of the Company.

The Board believes that this Acquisition would allow the Group to tap into the real estate business in the PRC and it represents a valuable investment opportunity for the Group.

To better cope with the classified readjustment and control measures put forward by the PRC central government, major cities in the PRC are introducing and implementing various measures to encourage home purchases and withdraw their limited property purchase policies. In respect of mortgage loans, although credit conditions may not appear to be drastically relaxed in the near future, constraints from the tight capital market will possibly be eased through the PRC central government's promotion of various limited and targeted policy measures. In addition, the introduction of the two-child policy and rural land reforms are likely to boost housing demands. As a result, it is expected that the property market in major cities in the PRC will gradually improve.

The Board believes that the Acquisition is in line with the Group's investment strategy to bring investment return to the Group and would allow the Group to tap into the real estate business in the PRC with growth potential after having considered the construction progress and future prospects of the Development Project, the existing financing capacity of the Target Group as well as the ability of the Target Group to generate returns and cash flow to the Group.

The Group will continue to monitor the situation of real estate market in the PRC. Should it be of the view that the prospect of the PRC real estate business will continue to improve and flourish, the Group will consider further additional investment in the property market in the future. Shareholders should note that no concrete and/or firm investment project or plan has been identified and/or made at this stage on the above and further announcement(s) will be made if necessary, in accordance with the requirements of the Listing Rules.

* *For identification purpose only*

# CHAIRMAN'S STATEMENT

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

In view of the continuing softening of the iron ore price and the certainty as to when the mining operation of the Mine can be recommenced, the Group will continue to monitor the situation and give serious consideration as to the necessary actions that it should take with respect to the existing investment in the mining operation taking into account the interests of the Company and its shareholders as a whole. Further announcement(s) will be made by the Group if necessary, in accordance with the requirements of the Listing Rules.

## APPRECIATION

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

**Zhang Guoqing**
*Chairman*

Hong Kong, 27 March 2015

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the year under review, the turnover of the Group increased by approximately 28% to approximately HK$5,642,000 (2013: HK$4,400,000), recording a gross profit of approximately HK$4,855,000 (2013: HK$2,916,000).

For the year ended 31 December 2014, the Group recorded a profit attributable to equity holders of the Company of approximately HK$180,856,000 (2013: loss attributable to equity holders of HK$178,000). Such a significant improvement was mainly due to the recognition of a gain on financial assets at fair value through profit or loss of approximately HK$330,522,000 (2013: HK$49,412,000) after netting off an impairment loss of approximately HK$119,000,000 (2013: reversal of impairment on mining right of HK$17,000,000) in respect of the mining rights for the Mine.

## OPERATIONS REVIEW

### Minerals Operation

Minerals operation is one of the principal activities of the Group.

Relevant information of the Mine as at 31 December 2014 is summarised below:

| | | |
|---|---|---|
| 1. | Location of Mine: | around 39 kilometers southeast of the Liannan County Town, which is also around 1.6 kilometers southwest of the nearby Baidaitou Village, Shanlian Township, covering an area of approximately 0.4197 $km^2$ |
| 2. | Estimated iron resources within the Mine as at 31 December 2014: | approximately 1,600,000 tons with an average grade of around 45% |
| 3. | Final product grade after processing procedure: | approximately 64% |
| 4. | Maximum annual production: | approximately 360,000 tons |

5. Assumptions made:

- Based on a feasibility study named 廣東省連南縣山聯鄉水晶山磁鐵礦 — 採選工程初步設計報告 (the "Feasibility Study") prepared by 烏魯木齊有色冶金設計研究院馬鞍山分院 in February 2012, the estimated iron resources (Categories 332+333, according to the Chinese Mineral Resource/Reserves Classification) within the Mine was approximately 1,627,400 tons with an average grade of around 45%.

- With reference to the Feasibility Study, the Mine will achieve a maximum annual production of 360,000 tons, a final product with grade of approximately 64% will be produced after the processing procedure, the average cost for producing the final product with grade of 64% is around RMB180 per ton and further capital expenditure of approximately RMB5,000,000 for mining and approximately RMB12,000,000 for processing are needed.

- Very few production was made since the Mine has been acquired by the Group in 2009 due to various factors as previously disclosed. Subject to the conditions as stated below, the Group would like to start the production as soon as practicable.

As discussed in Chairman's Statement, during the year under review, the minerals operation of the Mine was seriously obstructed due to the Order. The Group has been continuing to pursue the uplift of the Order with the Authorities, but up to the date of this report, there is still no concrete and clear indication given by the Authorities as to when the Order will be uplifted.

Furthermore, due to severe damages caused by the heavy rainfalls made to the highway and roads surrounding the Mine in the past, the PRC Government and the Group have been actively doing repair work in respect of such damages. However, full repair work has still not yet been competed enabling full accessibility of the area surrounding and leading up to the Mine, by cars, trucks and other transportations.

The Company will issue further announcement(s) on any significant development with respect to its mining operation as and when necessary, in compliance with the requirements of the Listing Rules.

Due to the suspension of all mining operation on the Mine by the Order, the Group has no turnover generated from its minerals operation (2013: nil) and recorded an operating loss of approximately HK$123,316,000 (2013: operating profit of HK$9,399,000) during the year. The operating loss on the mining operation was mainly resulted from the impairment loss of approximately HK$119,000,000 (2013: reversal of impairment loss on mining right of HK$17,000,000) on the mining right as a result of the significant decrease in the market price of iron ore from RMB1,020 per metric tonne as at 31 December 2013 to RMB670 per metric tonne as at 31 December 2014.

# MANAGEMENT DISCUSSION AND ANALYSIS

### Trading Operation

The Group's trading operation remained inactive and therefore no turnover was generated during the year under review (2013: nil). Although the Group has been placing its focus in the development of its other businesses in the past, yet it will continue to explore suitable business opportunities on trading in the future.

### Finance Operation

During the year under review, the finance operation was inactive and there was no turnover derived from this operation (2013: HK$329,000), resulting in an operating loss of approximately HK$2,467,000 (2013: HK$717,000). The increase in operating expenses for the finance operation during the year was mainly due to allocation of the Group's certain operating expenses to this division.

### Brokerage and Securities Investment Operation

The turnover of the brokerage and securities investment operation, being mainly the brokerage and commission income of the Group's securities brokerage division, increased by approximately 39% to approximately HK$5,642,000 (2013: HK$4,071,000). Such an increase was primarily attributable to the higher transaction volume of the securities brokerage activities.

The overall performance of the operation recorded a profit of approximately HK$331,031,000 for the year ended 31 December 2014 (2013: HK$51,225,000). The profit was primarily attributable to the unrealised gain on investment in securities which amounted to approximately HK$354,954,000 for the year ended 31 December 2014 (2013: HK$62,736,000) as a result of mainly the increase in the market prices of listed securities held by the Group for investment purpose. As at 31 December 2014, the market value of the Group's listed securities portfolio was approximately HK$676,692,000 (2013: HK$405,370,000).

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

At 31 December 2014, the Group had current assets of approximately HK$1,093,177,000 (2013: HK$866,512,000) and liquid assets comprising bank balances and marketable Hong Kong listed securities totaling approximately HK$707,049,000 (excluding pledged bank balances held under segregated trust accounts) (2013: HK$456,868,000). The significant increase in the liquid assets was mainly due to the increase in the market value of the Group's listed securities portfolio as at 31 December 2014. The Group's current ratio, calculated on the basis of current assets of approximately HK$1,093,177,000 (2013: HK$866,512,000) over current liabilities of approximately HK$63,002,000 (2013: HK$96,455,000) was at strong level of approximately 17.35 (2013: 8.98). The Group had no bank and other borrowings (2013: nil) and no finance lease obligation (2013: nil) at the end of the reporting period.

At the end of the reporting period, the equity attributable to the Company's equity owners amounted to approximately HK$1,387,209,000 (2013: HK$1,217,693,000), representing an increase of approximately 13.92% as compared to 2013, which was equivalent to a consolidated net asset value of about approximately HK$3.57 per share of the Company (2013: HK$3.14 per share).

### Foreign Currency Management

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

### Pledge of Asset

At 31 December 2014, the Group had no fixed assets (2013: nil) pledged as security for any credit facilities granted to the Group.

### Capital Commitment

The Group had no capital commitment as at 31 December 2014 (2013: nil).

### Contingent Liability

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

## MATERIAL ACQUISITIONS AND CONNECTED TRANSACTIONS

(1) Reference is made to the announcements of the Company dated 14 February 2013, 25 February 2013, 26 June 2013, 6 December 2013, 12 December 2013, 28 February 2014, 31 March 2014, 30 May 2014 and 31 October 2014. On 8 February 2013, the Group entered into a sale and purchase agreement with Charter Bonus Limited (a company which is wholly-owned by Mr. Lai Leong and it was proposed that Mr. Lai Leong will be appointed as the chairman and an executive director of the Company upon completion of the said acquisition) in relation to the acquisition of Mega Marks Limited and its subsidiaries at an aggregate consideration of HK$1,200,000,000 (subject to adjustment).

    The consideration will be satisfied as to HK$690,000,000 in cash, as to HK$210,000,000 by the allotment and issue of the consideration shares and as to HK$300,000,000 by the issue of the convertible bonds. The Mega Marks Limited and its subsidiaries is principally engaged in the iron ore mining and ore processing operation in Xinjiang Uygur Autonomous Region, the PRC. On 26 June 2013, the Group and Charter Bonus Limited executed a supplemental agreement and agreed to amend certain terms of the sale and purchase agreement, principally relating to (1) the adjustment mechanisms of consideration as set out in the sale and purchase agreement and (2) inclusion of condition precedents(s) that cannot be waived by the parties. As additional time is required to prepare and update certain information and reports to be included in the circular in respect of the said acquisition, the circular is expected to be despatched to the shareholders on or before 31 May 2015.

(2) Reference is made to the announcements, circular and listing documents of the Company dated 18 August 2014, 24 September 2014, 24 October 2014, 28 November 2014, 24 December 2014, 5 February 2015, 9 February 2015, 24 February 2015, 13 March 2015 and 16 March 2015. Terms used hereinafter are defined in the above announcements, circular and listing documents.

On 18 August 2014, the Board announced that on 24 June 2014, (after trading hours), the Purchaser (being a wholly-owned subsidiary of the Company) and the Vendor (being wholly-owned by Mr. Liang Shan, an executive director of the Company) entered into the sale and purchase agreement (as amended and supplemented by the supplemental agreement dated 18 August 2014), pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, representing 40% of the total issued share capital of the Target Company at the consideration of HK$370,000,000. The Consideration for the Acquisition is HK$370,000,000, which shall be settled by cash upon completion of the sale and purchase agreement. It is to be financed by the net proceeds to be raised from the Rights Issue.

The Target Group is principally engaged in the development, construction and building management of the Development Project which is located in Chongqing, the PRC. The "Development Project" comprises a residential and commercial complex known as "Jintang New City Plaza*" (金唐新城市廣場) (the "Plaza") which is situated at Long Tower Street* in the west southern part of the Yubei Zone, Chongqing City (重慶渝北區龍塔街道) in the PRC with a site area of approximately 30,817 square meters. The total gross floor area designated for residential use is 53,883.20 square meters; for shopping mall (商鋪) is 36,012.85 square meters; for office premises is 40,865.48 square meters; for car parking areas and other uses is 56,512.26 square meters respectively. The terms for the grant of the land use right of the Land are 52 years for the residential portion and 22 years for the commercial portion. After the completion of the Development Project, the Plaza is expected to be a new landmark area near the central business district of the Yubei Zone.

On 16 March 2015, the Board announced that all conditions precedent under the sale and purchase agreement have been fulfilled and the transaction was completed. Upon completion, the Company is beneficially interested in the 40% equity interests in the Target Company and the Target Group is become an associate of the Company.

The Company confirms that it has complied with all relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules of The Stock Exchange of Hong Kong Limited with respect to the above connected transactions.

## MATERIAL DISPOSAL

The Company had no material disposal during the year.

* *For identification purpose only*

# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The following is the significant events which have taken place subsequent to the end of the reporting period:

Reference is made to the announcements, circular and listing documents of the Company dated 18 August 2014, 24 September 2014, 24 October 2014, 28 November 2014, 24 December 2014, 5 February 2015, 9 February 2015, 24 February 2015, 13 March 2015 and 16 March 2015. Terms used hereinafter are defined in the above announcements, circular and listing documents.

(1) On 5 February 2015, all ordinary resolutions to approve the Acquisition, the Share Consolidation and the Rights Issue, as set out in the notice of extraordinary general meeting dated 24 December 2014, were duly passed by way of poll at the extraordinary general meeting of the Company and the Share Consolidation became effective on 6 February 2015.

(2) On 16 March 2015, the Board announced that all conditions precedent under the sale and purchase agreement have been fulfilled and the transaction was completed. Upon completion, the Company is beneficially interested in 40% equity interests in the Target Company and the Target Group is become an associate of the Company.

    On the same day, the Group issued a total of 700,958,385 Rights Shares and raised approximately HK$420,600,000 as a result of the Rights Issue. The net proceeds from the Rights Issue are used for the payment of the cash consideration of HK$370,000,000 for the Acquisition and the remaining amount of proceeds for the general working capital purposes of the Company.

## EMPLOYEES AND REMUNERATION POLICY

At 31 December 2014, the Group had approximately 73 (2013: 65) employees including all directors. Total staff costs incurred during the year (including directors' remuneration) was amounted to approximately HK$20,315,000 and increased by approximately 9.7% when compared to approximately HK$18,516,000 in 2013. The increase in staff costs was in line with the increase in number of staff head counts. The Group generally remunerates its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Benefits offered by the Group to its employees included discretionary bonus, mandatory provident fund scheme, share options, training subsidies as well as medical insurance.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

**Dr. Zhang Guoqing**, aged 54, has been Executive Director and Chairman of the Company since November 2010. Dr. Zhang is a material scientist graduated from Northeastern University in the People's Republic of China (the "PRC") and obtained a Ph.D. degree in Material Science from South Central University in the PRC. He is also a recipient of a number of scientific awards in China. Dr. Zhang possesses extensive experience in corporate management, business development, corporate finance and research and development of metal alloys in the PRC and Australia, and was previously the Deputy General Manager of Sino-Platinum Metals Company Limited, a company whose shares are listed on the Shanghai Stock Exchange. Dr. Zhang currently holds various executive positions in Australia and is vice chairman and general manager of Yunnan Tin Australia Investment Holding Company Pty Ltd. He was also a director of Aurelia Metals Limited ("Aurelia", a company whose shares are listed on the Australian Securities Exchange, formerly known as YTC Resources Limited) from February 2008 to November 2011.

**Ms. Ng Shin Kwan, Christine**, aged 46, has been Executive Director of the Company since August 2007. Ms. Ng holds a Bachelor of Economics degree from University of Sydney in Australia and has over 20 years of experience in business development, corporate management and investment fields and held executive positions in various investment and securities companies. Ms. Ng was a director of Aurelia from June 2008 to November 2013.

**Mr. Lee Jalen**, aged 51, has been Executive Director of the Company since January 2010. Mr. Lee has extensive experience in mineral trading and corporate management and development in the PRC and had worked as a consultant of a subsidiary of the Company for providing consultancy services for its mining business in the PRC.

**Mr. Chan Ah Fei**, aged 52, has been Executive Director of the Company since November 2010. Mr. Chan has more than 20 years of experience as key management in electric power supply, telecommunications, geological surveying and mining businesses. He received a geological surveying qualification from 甘肅蘭州礦業學院 (literally translated as Gansu Lanzhou Mining Academy). Mr. Chan has founded 青海創綠投資管理有限公司 (literally translated as Qinghai Chuanglu Investment Management Limited) since 2000, which is principally engaged in provision of consultancy service in relation to mining right, including the mineral exploitation, extraction, processing and production at mines primarily located in the northwestern and southwestern regions of the PRC. Mr. Chan is currently a director of Great Wall Hong Kong Investment Co. Limited, which provides advisory services in relation to geological surveying and mining.

**Mr. Lee Yuk Fat**, aged 42, has been Executive Director of the Company since November 2010. Mr. Lee is a manager of the China division and a member of the investment committee for subsidiaries of the Company. He also holds directorships in various subsidiaries of the Company. Mr. Lee has more than 10 years of experience in the finance and securities industry and is a chairman of board of director of Pico Zeman Securities (HK) Limited. He was also a director of Hong Kong Energy and Minerals United Associations, a non-profit making entity aiming to gather congruent power and to increase business opportunities in the energy and minerals sector till August 2014.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Liang Shan**, aged 51, has been Executive Director of the Company since January 2014. Mr. Liang graduated from the Graduate School of Chinese Academy of Social Sciences with a master degree in monetary and banking studies (貨幣銀行學專業學習) of the Faculty of Finance and Economics (財貿經濟系). He has extensive experience in banking industry, iron ore trading and property development and has worked for various companies as director and general manager in the past.

**Dr. Wong Yun Kuen**, aged 57, has been Independent Non-executive Director of the Company since September 2004. Dr. Wong received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited, and the independent non-executive director of Bauhaus International (Holdings) Limited, China Sandi Holdings Limited, Far East Holdings International Limited, Guocang Group Limited, Kaisun Energy Group Limited, Kingston Financial Group Limited and Sincere Watch (Hong Kong) Limited. Dr. Wong was also an independent non-executive director of Harmony Asset Limited from September 2004 to December 2014, Hong Kong Life Sciences and Technologies Group Limited from November 2009 to September 2012, Kong Sun Holdings Limited from April 2007 to November 2014, KuangChi Science Limited (formerly known as Climax International Company Limited) from June 2007 to August 2014 and New Island Development Holdings Limited from October 2010 to September 2014. All these companies mentioned in this paragraph are listed companies in Hong Kong and Harmony Asset Limited is also a company listed in Toronto Stock Exchange.

**Mr. Wong Shun Loy**, aged 50, has been Independent Non-executive Director of the Company since March 2012. Mr. Wong is a Certified Public Accountant (Practising) in Hong Kong and a fellow member of the Hong Kong Institute of Certified Public Accountants. He obtained an Executive Master of Business Administration from Colorado University of Commerce in USA. Mr. Wong has extensive experience in banking, finance and accounting. He is the proprietor of S.L. Wong & Co. and an independent director of Nanchong City Commercial Bank.

**Mr. Hu Chao**, aged 31, has been Independent Non-executive Director of the Company since March 2012. Mr. Hu obtained a Bachelor Degree in Law from the Hunnan University of Technology (formerly known as Zhuzhou Institute of Technology). He has extensive experience in legal consultation and had been providing consultancy services for various businesses in the PRC.

## SENIOR MANAGEMENT

**Mr. Leung Ka Wai**, aged 34, has been appointed as Finance Manager and the Company Secretary of the Company since June 2012. Mr. Leung is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and holds a bachelor's degree in Economics and a postgraduate diploma in professional accountancy from the Chinese University of Hong Kong. Mr. Leung has over eight years of experience in auditing, finance and accounting and corporate secretarial functions.

# DIRECTORS' REPORT

The directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31 December 2014.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 15 to the consolidated financial statements.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss on page 28 of this annual report.

The Company had no distributable reserve at 31 December 2014 and the directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: nil).

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 28 to the consolidated financial statements.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 33 of this annual report and in Note 29 to the consolidated financial statements, respectively.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment approximately HK$3,837,000 (2013: HK$12,930,000) for the purpose of expanding the Group's operation. Details of this and other movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 98 of this annual report. This summary does not form part of the audited consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and the largest customer accounted for approximately 45% and 13% of the Group's total turnover for the year, respectively.

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

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

# DIRECTORS' REPORT

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive Directors:

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

### Independent Non-executive Directors:

Wong Yun Kuen
Wong Shun Loy
Hu Chao

In accordance with Article 105(A) of the Company's Articles of Association, Dr. Wong Yun Kuen (who has served as an independent non-executive director of the Company for more than 9 years), Mr. Wong Shun Loy and Mr. Hu Chao will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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

None of the directors of the Company being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

| Name of director | Capacity | Number of shares | Number of underlying shares | Total interests | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|---|---|
| Ng Shin Kwan, Christine | Beneficial owner | – | 211,455 *(Note 1)* | 211,455 | 0.05% |
| Wong Yun Kuen | Beneficial owner | 9,000 | 655 *(Note 2)* | 9,655 | 0.00% |

*Notes:*

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

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

Save as disclosed above, as at 31 December 2014, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEME

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

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2014, the register of interest kept by the Company under section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

| Name of shareholder | Capacity | Number of shares | Total interests | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|---|
| HEC Capital Limited | Interest held by controlled corporation | 37,931,883 | 37,931,883 | 9.74% |
| Freeman Financial Corporation Limited | Interest held by controlled corporation | 32,579,800 | 32,579,800 | 8.37% |

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2014 as required pursuant to section 336 of the SFO.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Material Acquisition and Connected Transactions" of Management Discussion and Analysis, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

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

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

# DIRECTORS' REPORT

## CORPORATE GOVERNANCE

The audited financial statements of the Group for the year ended 31 December 2014 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board of Directors under the recommendation of the Audit Committee.

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

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

## EMOLUMENT POLICY

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

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

## SUFFICIENCY OF PUBLIC FLOAT

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

## CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$680,000 (2013: HK$500,000).

## EVENTS AFTER THE REPORTING PERIOD

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

## AUDITORS

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

On behalf of the Board

**Zhang Guoqing**
*Chairman*

Hong Kong, 27 March 2015

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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

During the year, the Company has complied with the code provisions of Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the first part of code provision E.1.2 of the CG Code, the chairman of the Board, Dr. Zhang Guoqing, did not attend the annual general meeting held on 18 June 2014 (the "Meeting") as he had another business engagement. The executive director of the Company, who took the chair of the Meeting, and other members of the Board together with the chairmen of the Audit, Nomination and Remuneration Committees and all other members of each of the Audit, Nomination and Remuneration Committees attended the Meeting. The Company considers that the members of the Board and the Audit, Nomination and Remuneration Committees who attended the Meeting were already of sufficient calibre and number for answering questions at the Meeting.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code for the year ended 31 December 2014.

## BOARD OF DIRECTORS

As at the date of this report, the Board comprises six executive directors, namely Dr. Zhang Guoqing (Chairman), Ms. Ng Shin Kwan, Christine, Mr. Lee Jalen, Mr. Chan Ah Fei, Mr. Lee Yuk Fat and Mr. Liang Shan; and three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Wong Shun Loy and Mr. Hu Chao. The directors' biographical information is set out in Biographical Details of Directors and Senior Management on pages 12 to 13 of this annual report.

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

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

A total of seven regular board meetings and one general meeting was held during the year ended 31 December 2014 with individual attendance of directors as follows:

| Directors | Attendance/ Number of meetings Board Meetings | General Meeting |
|---|---|---|
| Zhang Guoqing | 7/7 | 0/1 |
| Ng Shin Kwan, Christine | 7/7 | 1/1 |
| Lee Jalen | 7/7 | 1/1 |
| Chan Ah Fei | 7/7 | 0/1 |
| Lee Yuk Fat | 7/7 | 0/1 |
| Liang Shan | 4/7* | 0/1 |
| Wong Yun Kuen | 7/7 | 1/1 |
| Wong Shun Loy | 7/7 | 1/1 |
| Hu Chao | 7/7 | 1/1 |

* Mr. Liang Shan was required to abstain from voting in three meetings due to his material interest in connection with the transactions discussed in the meetings.

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

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

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

## Directors' Continuous Training and Development

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

The Directors are committed to comply with the CG Code A.6.5 on Directors' training. All Directors are provided with training materials covering the topics of "The New Companies Ordinance — an Overview", "Major Changes relating to Directors and Company Administration", "Listing Rules Update on Connected Transactions and Inside Information Disclosures" and "New Reverse Takeover Rules". All Directors have participated in continuous professional development and provided a record of training they received for the year ended 31 December 2014.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## NOMINATION COMMITTEE

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

The Nomination Committee held one meeting during the year ended 31 December 2014 to discuss the retirement and re-appointment arrangement of the Directors in the Company's forthcoming annual general meeting with individual attendance of members as follows:

| **Members** | **Attendance/ Number of meetings** |
|---|---|
| Wong Yun Kuen *(Chairman)* | 1/1 |
| Wong Shun Loy | 1/1 |
| Hu Chao | 1/1 |
| Ng Shin Kwan, Christine | 1/1 |

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

## REMUNERATION COMMITTEE

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

The Remuneration Committee held one meeting during the year ended 31 December 2014 to discuss the remuneration packages of the Directors with individual attendance of members as follows:

| Members | Attendance/ Number of meetings |
|---|---|
| Hu Chao *(Chairman)* | 1/1 |
| Wong Yun Kuen | 1/1 |
| Wong Shun Loy | 1/1 |

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

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

## AUDIT COMMITTEE

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

The Audit Committee held four meetings during the year ended 31 December 2014 with individual attendance of members as follows:

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

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

During the year ended 31 December 2014, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review of unaudited interim results and audited annual results of the Group.

## AUDITORS' REMUNERATION

For the year ended 31 December 2014, remuneration paid to the auditors of the Company for providing audit and non-audit services are approximately HK$1,200,000 and approximately HK$566,000, respectively.

## CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

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

## SHAREHOLDERS' RIGHTS

### Convening an extraordinary general meeting by shareholders

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

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

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

### Enquiries to the Board

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

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

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

### Putting forward proposals at annual general meetings

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

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

### Proposing Directors for election at general meetings

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

## INVESTOR RELATIONS

### Constitutional documents

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

### Shareholders Communication Policy

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

## DIRECTOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 26 to 27.

## COMPANY SECRETARY

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

## INTERNAL CONTROL

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

# INDEPENDENT AUDITORS' REPORT

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

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

We have audited the consolidated financial statements of China Yunnan Tin Minerals Group Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 28 to 97, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

## EMPHASIS OF MATTER

Without qualifying our opinion above, we draw attention to Note 19 to the consolidated financial statements of the Group for the year ended 31 December 2014. As disclosed therein, the mining operation of the Group was suspended by the relevant government authorities (the "Authorities") of the People's Republic of China (the "Order") since early 2012. Up to the date of this report, we were informed that no concrete and clear indication has been provided by the Authorities as to when the Order will be uplifted. Nevertheless, the Group is anxiously desiring to have the Order uplifted in the near future, with the expectation that it shall be no later than the end of 2016.

The fair value of the mining right licence of approximately HK$140,000,000 at 31 December 2014 has been arrived at on the basis of a valuation carried out by an independent qualified professional valuer and under the assumption that the Order will be uplifted by the end of 2016 and the Group can renew the mining right licence indefinitely till all proven reserves have been mined. Should there be any further delay in the uplift of the Order, there may be significant impact on the value of the mining right of the Group.

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

**Lee Ping Kai**
Practising Certificate Number: P02976

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

Hong Kong, 27 March 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

| | Notes | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|---|
| Turnover | 6 | **5,642** | 4,400 |
| Cost of sales | | **(787)** | (1,484) |
| Gross profit | | **4,855** | 2,916 |
| Other income | 8 | **3,329** | 5,099 |
| Net gain on financial assets at fair value through profit or loss | 10 | **330,522** | 49,412 |
| Impairment loss (recognised)/reversed in respect of mining right | 19 | **(119,000)** | 17,000 |
| Gain on disposals of available-for-sale financial assets | | **–** | 3,555 |
| Administrative expenses | | **(66,954)** | (72,343) |
| Finance costs | 9 | **(1,641)** | (1,115) |
| Profit before tax | | **151,111** | 4,524 |
| Income tax credit/(expenses) | 12 | **29,750** | (4,706) |
| **Profit/(loss) for the year** | 10 | **180,861** | (182) |
| Attributable to: | | | |
| Owners of the Company | | **180,856** | (178) |
| Non-controlling interests | | **5** | (4) |
| | | **180,861** | (182) |
| | | **2014** | 2013<br>(restated) |
| **Earnings/(loss) per share** | | | |
| — Basic and diluted (HK cents per share) | 13 | **23.22** | (0.02) |

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

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

| | Notes | **2014**<br>***HK$'000*** | 2013<br>*HK$'000* |
|---|---|---|---|
| **Profit/(loss) for the year** | *10* | **180,861** | (182) |
| **Other comprehensive (expense)/income, net of income tax** | | | |
| *Items that may be subsequently reclassified to profit or loss:* | | | |
| Exchange differences arising on translation of overseas operations | | **(12,110)** | 6,676 |
| Fair value change in available-for-sale financial assets | | **770** | (5,043) |
| Other comprehensive (expense)/income for the year | | **(11,340)** | 1,633 |
| **Total comprehensive income for the year** | | **169,521** | 1,451 |
| Attributable to: | | | |
| Owners of the Company | | **169,516** | 1,455 |
| Non-controlling interests | | **5** | (4) |
| | | **169,521** | 1,451 |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **19,714** | 20,228 |
| Available-for-sale financial assets | 16 | **233,475** | 234,333 |
| Other assets | 17 | **2,230** | 2,205 |
| Trading right | 18 | **–** | – |
| Mining right | 19 | **140,000** | 259,000 |
| Goodwill | 20 | **–** | – |
| | | **395,419** | 515,766 |
| **Current assets** | | | |
| Inventories | 21 | **924** | 948 |
| Trade and other receivables | 22 | **52,277** | 64,000 |
| Earnest money | 23 | **300,000** | 300,000 |
| Financial assets at fair value through profit or loss | 24 | **676,692** | 405,370 |
| Tax recoverable | | **302** | 219 |
| Bank balances held under segregated trust accounts | 25 | **32,625** | 44,477 |
| Bank balances and cash | 25 | **30,357** | 51,498 |
| | | **1,093,177** | 866,512 |
| **Current liabilities** | | | |
| Trade and other payables | 26 | **54,742** | 88,195 |
| Tax liabilities | | **260** | 260 |
| Provision | 27 | **8,000** | 8,000 |
| | | **63,002** | 96,455 |
| **Net current assets** | | **1,030,175** | 770,057 |
| **Total assets less current liabilities** | | **1,425,594** | 1,285,823 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 28 | **2,266,087** | 3,894 |
| Reserves | | **(878,878)** | 1,213,799 |
| Equity attributable to owners of the Company | | **1,387,209** | 1,217,693 |
| Non-controlling interests | | **3,385** | 3,380 |
| **Total equity** | | **1,390,594** | 1,221,073 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 30 | **35,000** | 64,750 |
| | | **1,425,594** | 1,285,823 |

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

The consolidated financial statements on pages 28 to 97 were approved and authorised for issue by the Board of Directors on 27 March 2015 and are signed on its behalf by:

**Zhang Guoqing**
*Director*

**Ng Shin Kwan, Christine**
*Director*

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Interests in subsidiaries | 15 | **–** | – |
| **Current assets** | | | |
| Other receivables | | **103** | 62 |
| Amounts due from subsidiaries | 15 | **1,637,183** | 1,582,325 |
| Bank balances and cash | 25 | **2,034** | 2,034 |
| | | **1,639,320** | 1,584,421 |
| **Current liabilities** | | | |
| Accruals and other payables | | **3,613** | 1,783 |
| Amounts due to subsidiaries | 15 | **11,215** | 11,215 |
| | | **14,828** | 12,998 |
| **Net current assets** | | **1,624,492** | 1,571,423 |
| **Total assets less current liabilities** | | **1,624,492** | 1,571,423 |
| **Capital and reserves** | | | |
| Share capital | 28 | **2,266,087** | 3,894 |
| Reserves | 29 | **(641,595)** | 1,567,529 |
| **Total equity** | | **1,624,492** | 1,571,423 |

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

**Zhang Guoqing**
*Director*

**Ng Shin Kwan, Christine**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Special reserve HK$'000 | Translation reserve HK$'000 | Available-for-sale financial assets reserve HK$'000 | Share option reserve HK$'000 | Accumulated losses HK$'000 | Sub-total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1 January 2013 | 3,894 | 2,265,780 | – | (4,550) | (30,400) | 52,865 | (1,071,351) | 1,216,238 | 3,384 | 1,219,622 |
| Loss for the year | – | – | – | – | – | – | (178) | (178) | (4) | (182) |
| Other comprehensive income/(expense) for the year | – | – | – | 6,676 | (5,043) | – | – | 1,633 | – | 1,633 |
| Total comprehensive income/(expense) for the year | – | – | – | 6,676 | (5,043) | – | (178) | 1,455 | (4) | 1,451 |
| At 31 December 2013 and 1 January 2014 | 3,894 | 2,265,780 | – | 2,126 | (35,443) | 52,865 | (1,071,529) | 1,217,693 | 3,380 | 1,221,073 |
| Profit for the year | – | – | – | – | – | – | 180,856 | 180,856 | 5 | 180,861 |
| Other comprehensive income/(expense) for the year | – | – | – | (12,110) | 770 | – | – | (11,340) | – | (11,340) |
| Total comprehensive income/(expense) for the year | – | – | – | (12,110) | 770 | – | 180,856 | 169,516 | 5 | 169,521 |
| Transition to no-par value under the Hong Kong Companies Ordinance (Cap. 622) (Note (a) below) | 2,262,193 | (2,262,193) | – | – | – | – | – | – | – | – |
| Reclassification (Note (b) below) | – | (3,587) | 3,587 | – | – | – | – | – | – | – |
| At 31 December 2014 | 2,266,087 | – | 3,587 | (9,984) | (34,673) | 52,865 | (890,673) | 1,387,209 | 3,385 | 1,390,594 |

*Notes:*

(a) In accordance with the transitional provision set out in Section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014, the amount of approximately HK$2,262,193,000 regarding the credit of the share premium account has become part of the Company's share capital.

(b) The amount of approximately HK$3,587,000 mainly reclassified as special reserve for the year ended 31 December 2014.

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(loss) for the year | **180,861** | (182) |
| Adjustments for: | | |
| Income tax (credit)/expenses recognised in profit or loss | **(29,750)** | 4,706 |
| Finance costs recognised in profit or loss | **1,641** | 1,115 |
| Interest income recognised in profit or loss | **(12)** | (9) |
| Depreciation of property, plant and equipment | **4,273** | 3,603 |
| Impairment loss/(reversal of) recognised in respect of mining right | **119,000** | (17,000) |
| Unrealised gain on financial assets at fair value through profit or loss | **(354,954)** | (62,736) |
| Gain on disposals of property, plant and equipment | **(400)** | (80) |
| Gain on disposals of available-for-sale financial assets | **–** | (3,555) |
| **Operating cash flows before movements in working capital** | **(79,341)** | (74,138) |
| Increase in inventories | **–** | (55) |
| Increase in other assets | **(25)** | – |
| Decrease in trade and other receivables | **11,723** | 431 |
| Decrease in bank balances held under segregated trust accounts | **11,852** | 16,740 |
| (Decrease)/increase in trade and other payables | **(55,958)** | 22,615 |
| Cash used in operations | **(111,749)** | (34,407) |
| Interest paid | **(1,641)** | (1,115) |
| Income tax refunded | **156** | – |
| Income tax paid | **(236)** | (137) |
| **Net cash used in operating activities** | **(113,470)** | (35,659) |
| **Cash flows from investing activities** | | |
| Dividend received | **22,505** | – |
| Interest received, other than from investment | **12** | 9 |
| Acquisition of property, plant and equipment | **(3,837)** | (12,930) |
| Proceeds from disposal of property, plant and equipment | **400** | 80 |
| Decrease in financial assets at fair value through profit or loss | **83,632** | 23,780 |
| Proceeds from disposal of available-for-sale financial assets | **–** | 5,115 |
| Earnest money paid | **–** | (300,000) |
| **Net cash generated from/(used in) investing activities** | **102,712** | (283,946) |
| **Net decrease in cash and cash equivalents** | **(10,758)** | (319,605) |
| **Effect of foreign exchange rate changes** | **(10,383)** | 10,575 |
| **Cash and cash equivalents brought forward** | **51,498** | 360,528 |
| **Cash and cash equivalents carried forward** | **30,357** | 51,498 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office and the principal place of business of the Company are disclosed in the corporate information section of this annual report.

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 15.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied for the first time the following amendments to HKFRSs and a new interpretation issued by the HKICPA:

### New and amended standards and interpretations that are mandatorily effective for the current year

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

The Group applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 "Investment Entities" for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

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

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of these amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### New and amended standards and interpretations that are mandatorily effective for the current year *(Continued)*

**Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities**

The Group applied the amendments to HKAS 32 "Offsetting Financial Assets and Financial Liabilities" for the first time in the current year. The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of these amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

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

The Group applied the amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosures required by HKFRS 13 "Fair Value Measurements".

The application of these amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

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

The Group applied the amendments to HKAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### New and amended standards and interpretations that are mandatorily effective for the current year *(Continued)*

**HK (IFRIC)-Int 21 Levies**

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

The HK (IFRIC)-Int 21 "Levies" has been applied retrospectively. The application of these amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Other standards, amendments and interpretation which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation as from Company's first financial year commencing on or after 3 March 2014 in accordance with Section 358 of that ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of the information in the consolidated financial statements will be affected.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### New and amended standards and interpretations in issue but not yet effective

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

| | |
|---|---|
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[4] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[4] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[4] |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[3] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010–2012 Cycle[5] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011–2013 Cycle[3] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle[4] |
| Amendments to HKFRS 10 and HKAS 28 | Sales or Contributions of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception[5] |
| Amendments to HKAS 1 | Disclosure Initiative[4] |
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |

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

**HKFRS 9 Financial Instruments**

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets; and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### New and amended standards and interpretations in issue but not yet effective *(Continued)*

**HKFRS 9 Financial Instruments** *(Continued)*

Key requirements of HKFRS 9 are described as follows:

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

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

- In relation to the impairment of financial assets, HKFRS 9 adopts an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### New and amended standards and interpretations in issue but not yet effective *(Continued)*

**HKFRS 15 Revenue from Contracts with Customers**

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group performs a detailed review.

Except as described above, the directors of the Company consider that the application of the other new and revised HKFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform to HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Account and Audit", which are set out in Sections 76 to 87 of Schedule 11 to that ordinance.

### Basis of preparation

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

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

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Basis of consolidation

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

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

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

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.

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

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

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Business combinations

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

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

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

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*" are measured in accordance with that standard.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

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

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

### Mining right

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property, plant and equipment

Property, plant and equipment held for use in the production and supply of goods and services, or for administrative purposes, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Borrowing costs

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

### Trading right

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

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of the inventories are determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value represents the estimated selling price in the ordinary course of business less all the estimated cost of completion and costs necessary to make the sale.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

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

*Effective interest method*

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

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

*Financial assets at FVTPL*

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

A financial asset is classified as held for trading if:

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

**Financial assets** *(Continued)*

*Financial assets at FVTPL (Continued)*

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains and losses. Fair value is determined in manner described in Note 5(b) to the consolidated financial statements.

*Loans and receivables*

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

**Financial assets** *(Continued)*

*Available-for-sale financial assets*

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

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

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

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 each reporting period (see accounting policy on impairment loss on financial assets below).

*Impairment of financial assets*

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

**Financial assets** *(Continued)*

*Impairment of financial assets (Continued)*

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

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

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. For financial assets measured at amortised cost, if, in a 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, 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 and accumulated under the heading of available-for-sale financial assets reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

**Financial liabilities and equity instruments**

Debts and equity instruments issued by a group entity are initially classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

*Effective interest method*

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

Interest expense is recognised on an effective interest basis.

*Equity instruments*

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

*Other financial liabilities*

Other financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

**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 assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of the ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Equity-settled share-based payment transactions

**Share options granted to employees**

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

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

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

**Share options granted to other participants**

For share options granted to parties other than employees in exchange for services, they are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses with a corresponding increase in equity (share options reserve), and when the counterparties render services, unless the services qualify for recognition as assets.

### Impairment

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

### Revenue recognition

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

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

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

Commission and brokerage income are recognised on an accrual basis when the relevant services are provided in accordance with the terms of the underlying agreements.

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

Dividend income from investments is recognised when the shareholder's right to receive payment has been established provided that it is probable that economic benefits will flow to the Group and the amount of income can be measured reliably.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation

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

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

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

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

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

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

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

Current or deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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

### Leasing

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

**The Group as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### Retirement benefits costs

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

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### Critical accounting estimates and assumptions

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

**(a) Income taxes and deferred taxation**

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised when the management of the Company determines it is likely that future taxable profits will be available against the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

**(b) Impairment of assets, including mining right and interest of subsidiaries**

The carrying amounts of assets, including mining right are reviewed annually and adjusted for impairment in accordance with HKAS 36 whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to exercise judgment in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

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

### Critical accounting estimates and assumptions *(Continued)*

**(b) Impairment of assets, including mining right and interest of subsidiaries** *(Continued)*

Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

Details of the recoverable amount calculation for the Group's mining right are disclosed in Note 19.

Details of the recoverable amounts calculation for the Company's interests in subsidiaries are disclosed in Note 15.

**(c) Amortisation of mining right**

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

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

**(d) Estimate of fair value of financial instruments**

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

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

- the fair values of other financial assets and financial liabilities which are not quoted in an active market are determined using valuation techniques that include the use of discounted cash flows analysis, option pricing mode or valuation methods, as appropriate. To the extent practical, models use only observable data. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

## 5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

### (a) Categories of financial instruments

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Available-for-sale financial assets | **233,475** | 234,333 |
| Financial assets at FVTPL | | |
| — held for trading | **676,692** | 405,370 |
| Loans and receivables | | |
| — trade and other receivables | **52,277** | 64,000 |
| — earnest money | **300,000** | 300,000 |
| — bank balances held under segregated trust accounts | **32,625** | 44,477 |
| — bank balances and cash | **30,357** | 51,498 |
| | **1,325,426** | 1,099,678 |
| **Financial liabilities** | | |
| Amortised cost | | |
| — trade and other payables | **54,742** | 88,195 |

### (b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, financial assets at FVTPL, trade and other receivables, earnest money, bank balances held under segregated trust accounts, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

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

**Credit risk**

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The carrying amounts of trade and other receivables, earnest money, bank balances held under segregated trust accounts, bank balances and cash represent the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any.

The Group expects that there is no significant credit risk associated with cash at banks since all the Group's bank balances and cash are deposited with major and creditworthy banks located in Hong Kong and the PRC.

The directors consider that the Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

The Group is exposed to credit risk attributable to trade receivables arising from securities brokerage business. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. In respect of trade receivables from customers, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

In order to minimise the credit risk, the directors have delegated a team responsible for determination of monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors review the recoverability of each trade receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables from customers are set out in Note 22.

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

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

**Market risk**

*(i) Foreign currency risk*

Foreign currency risk is the risk that the holding of monetary assets and liabilities and entering into transactions denominated in foreign currencies which will affect the Group's financial position and performance as a result of a change in foreign currency exchanges rates. At the end of the financial year, certain available-for-sale financial assets, trade and other receivables, bank balances and cash and trade and other payables are denominated in or linked to foreign currencies, details of which are set out in respective notes, expose the Group to foreign currency risk.

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

| | **2014**<br>***HK$'000*** | 2013<br>*HK$'000* |
|---|---|---|
| **Assets** | | |
| Renminbi ("RMB") | **8,177** | 8,583 |
| United States Dollars ("USD") | **54** | 58 |
| Australian Dollars ("AUD") | **18,475** | 19,333 |
| **Liabilities** | | |
| RMB | **508** | 569 |

As HK$ is linked to USD, the Group does not have material exchange rate risk on such currency. Thus, the Group is mainly exposed to the currency risk of RMB and AUD.

The following table demonstrates the sensitivity analysis of the carrying amounts of significant outstanding monetary assets and monetary liabilities denominated in RMB and AUD at the end of reporting period if there was a 5% change in the exchange rate of the HK$ against RMB and AUD, with all other variables held constant, of the Group's post-tax profit. 5% sensitivity rate used represents management's assessment of the reasonably possible changes in foreign exchange rates.

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

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

**Market risk** *(Continued)*

*(i) Foreign currency risk (Continued)*

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **(Decrease)/ increase in exchange rate** | **(Decrease)/ increase in post-tax profit** | (Decrease)/ increase in exchange rate | Increase/ (decrease) in post-tax loss |
| | **%** | ***HK$'000*** | % | *HK$'000* |
| If HK$ weakens against RMB | **(5)** | **(320)** | (5) | 335 |
| If HK$ strengthens against RMB | **5** | **320** | 5 | (335) |

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **(Decrease)/ increase in exchange rate** | **(Decrease)/ increase in other comprehensive income** | (Decrease)/ increase in exchange rate | Increase/ (decrease) in other comprehensive income |
| | **%** | ***HK$'000*** | % | *HK$'000* |
| If HK$ weakens against AUD | **(5)** | **(924)** | (5) | (967) |
| If HK$ strengthens against AUD | **5** | **924** | 5 | 967 |

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

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

**Market risk** *(Continued)*

*(ii) Price risk*

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

Sensitivity analysis for held for trading investments:

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

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Increase/ (decrease) in equity prices** | **Increase/ (decrease) in post-tax profit** | Increase/ (decrease) in equity prices | (Decrease)/ increase in post-tax loss |
| | **%** | ***HK$'000*** | % | *HK$'000* |
| *Financial assets at FVTPL* | | | | |
| Changes on equity prices | **5** | **28,252** | 5 | 16,924 |
| Changes on equity prices | **(5)** | **(28,252)** | (5) | 16,924 |

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Increase/ (decrease) in equity prices** | **Increase/ (decrease) in other comprehensive income** | Increase/ (decrease) in equity prices | Increase/ (decrease) in other comprehensive income |
| | **%** | ***HK$'000*** | % | *HK$'000* |
| *Available-for-sale financial assets* | | | | |
| Changes on equity prices | **5** | **924** | 5 | 967 |
| Changes on equity prices | **(5)** | **(924)** | (5) | (967) |

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

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

**Market risk** *(Continued)*

*(iii) Interest rate risk*

The Group has limited exposure to interest rate risk because the Group has no significant interest bearing financial assets and liabilities as at 31 December 2013 and 2014, other than the interest bearing bank balances held under segregated trust accounts and bank balances and cash. The future variations in interest rates will not have a significant impact on the results of the Group, as the Group's variable rates bank balances are all short-term in nature and at the prevailing market interest rates. The Group currently does not have an interest rate hedging policy. However, the directors of the Company monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise. The directors of the Company considered the Group's exposure to interest rate risk is not material. Hence, no interest rate risks sensitively analysis is presented.

There is no bank and other borrowings during the years ended 31 December 2013 and 2014. The future increase in interest rates will have an impact in the interest expenses if the Group makes a bank and other borrowing in the future, but the directors of the Company will consider to implement a hedging policy to manage the interest rate risk according to the market situation.

**Liquidity risk**

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

**Liquidity risk** *(Continued)*

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

| | **Within one year or on demand** *HK$'000* | **Total contractual undiscounted cash flows** *HK$'000* | **Carrying amount** *HK$'000* |
|---|---|---|---|
| As at 31 December 2014 | | | |
| Trade and other payables | 54,742 | 54,742 | 54,742 |
| As at 31 December 2013 | | | |
| Trade and other payables | 88,195 | 88,195 | 88,195 |

**Fair value measurement**

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

Other than certain available-for-sale financial assets and financial assets at FVTPL, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Available-for-sale financial assets and financial assets at FVTPL in respect of listed equity securities are determined by reference to the quoted bid prices in active markets.

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

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

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

**Fair value measurement** *(Continued)*

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

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

| Financial assets | Fair values as at 31 December | | Fair value hierarchy | Valuation techniques and key inputs |
|---|---|---|---|---|
| | **2014** | 2013 | | |
| | ***HK$'000*** | *HK$'000* | | |
| Available-for-sale financial assets — Listed equity securities | **18,475** | 19,333 | Level 1 | Quoted bid prices in active markets |
| Financial assets at FVTPL — Listed equity securities | **676,692** | 405,370 | Level 1 | Quoted bid prices in active markets |

There were no transfers amongst Level 1, 2 and 3 during both years.

Available-for-sale financial assets amounted to HK$215,000,000 was transferred out of Level 3 during the year ended 31 December 2013.

### (c) Capital risk management

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

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

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendation of the directors, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debts or the redemption of existing debts.

## 6. TURNOVER

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

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Interest income from provision of finance | **–** | 329 |
| Commission and brokerage income | **5,642** | 4,071 |
| | **5,642** | 4,400 |

## 7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

### Business segment information

The Group's reportable and operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker ("CODM"), are as follows:

- trading of goods;
- provision of finance;
- brokerage and securities investment; and
- exploitation and sales of minerals.

For the purposes of resource allocation and assessment of segment performance, CODM monitors the results and assets and liabilities attributable to each reportable segment on the following basis:

- Segment revenue represents revenue generated from external customers;
- Segment results represent the profit earned or loss incurred by each segment without allocation of corporate income and expenses, central administration costs, directors' salaries, finance costs and income tax credit or expense;
- Segment assets include all tangible and intangible assets and current assets and available-for-sale investments; and
- Segment liabilities include all trade and other payables other than current and deferred tax liabilities.

## 7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(Continued)*

### Business segment information *(Continued)*

**For the year ended 31 December 2014**

| | Trading of goods *HK$'000* | Provision of finance *HK$'000* | Brokerage and securities investment *HK$'000* | Exploitation and sales of minerals *HK$'000* | Elimination/ unallocated *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| **Segment revenue and results** | | | | | | |
| **REVENUE** | | | | | | |
| External sales | – | – | 5,642 | – | – | 5,642 |
| Inter-segment sales* | – | – | 148 | – | (148) | – |
| Segment revenue | – | – | 5,790 | – | (148) | 5,642 |
| **RESULTS** | | | | | | |
| Segment results | (7) | (2,467) | 331,031 | (123,316) | – | 205,241 |
| Unallocated income | | | | | | 401 |
| Unallocated expenses | | | | | | (52,890) |
| Finance costs | | | | | | (1,641) |
| Profit before tax | | | | | | 151,111 |
| **Segment assets and liabilities** | | | | | | |
| **ASSETS** | | | | | | |
| Segment assets | – | 168 | 765,430 | 150,106 | – | 915,704 |
| Unallocated assets | | | | | | 572,892 |
| Total consolidated assets | | | | | | 1,488,596 |
| **LIABILITIES** | | | | | | |
| Segment liabilities | – | 30 | 57,556 | 839 | – | 58,425 |
| Unallocated liabilities | | | | | | 39,577 |
| Total consolidated liabilities | | | | | | 98,002 |
| **Other information:** | | | | | | |
| Capital additions | – | – | 3,834 | 3 | – | 3,837 |
| Depreciation of property, plant and equipment | – | – | 776 | 536 | 2,961 | 4,273 |
| Net gain on financial assets at fair value through profit or loss (Note 10) | – | – | (330,522) | – | – | (330,522) |
| Gain on disposals of property, plant and equipment | – | – | – | – | (400) | (400) |
| Impairment loss on mining right (Note 19) | – | – | – | 119,000 | – | 119,000 |

* Inter-segment sales were charged at terms determined and agreed between the group companies.

## 7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(Continued)*

### Business segment information *(Continued)*

**For the year ended 31 December 2013**

| | Trading of goods HK$'000 | Provision of finance HK$'000 | Brokerage and securities investment HK$'000 | Exploitation and sales of minerals HK$'000 | Elimination/ unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Segment revenue and results** | | | | | | |
| **REVENUE** | | | | | | |
| External sales | – | 329 | 4,071 | – | – | 4,400 |
| Inter-segment sales* | – | – | 32 | – | (32) | – |
| Segment revenue | – | 329 | 4,103 | – | (32) | 4,400 |
| **RESULTS** | | | | | | |
| Segment results | – | (717) | 51,225 | 9,399 | – | 59,907 |
| Unallocated income | | | | | | 3,649 |
| Unallocated expenses | | | | | | (57,917) |
| Finance costs | | | | | | (1,115) |
| Profit before tax | | | | | | 4,524 |
| **Segment assets and liabilities** | | | | | | |
| **ASSETS** | | | | | | |
| Segment assets | – | 14 | 531,299 | 269,907 | – | 801,220 |
| Unallocated assets | | | | | | 581,058 |
| Total consolidated assets | | | | | | 1,382,278 |
| **LIABILITIES** | | | | | | |
| Segment liabilities | – | 30 | 91,998 | 1,294 | – | 93,322 |
| Unallocated liabilities | | | | | | 67,883 |
| Total consolidated liabilities | | | | | | 161,205 |
| **Other information:** | | | | | | |
| Capital additions | – | – | 4 | 89 | 12,837 | 12,930 |
| Depreciation of property, plant and equipment | – | – | 399 | 864 | 2,340 | 3,603 |
| Net gain on financial assets at fair value through profit or loss (Note 10) | – | – | (49,412) | – | – | (49,412) |
| Gain on disposals of property, plant and equipment | – | – | (80) | – | – | (80) |
| Reversal of impairment loss on mining right (Note 19) | – | – | – | (17,000) | – | (17,000) |

* Inter-segment sales were charged at terms determined and agreed between the group companies.

## 7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(Continued)*

### Geographical segment information

The Group's four reportable and operating segments operate in two principal geographical areas — the People's Republic of China ("PRC") (excluding Hong Kong) and Hong Kong.

The following table provides an analysis of the Group's revenue by geographical markets, irrespective of the origin of the goods:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| PRC | **–** | – |
| Hong Kong | **5,642** | 4,400 |
| | **5,642** | 4,400 |

The following table provides an analysis of the Group's non-current assets (excluding available-for-sale financial assets) based on the geographical markets as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| PRC | **141,737** | 261,348 |
| Hong Kong | **20,207** | 20,085 |
| | **161,944** | 281,433 |

### Information about major customers

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

| | **Reportable and operating segments** | **2014** | 2013 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Customer A | Brokerage and securities investment | **N/A*** | 831 |
| Customer B | Brokerage and securities investment | **776** | N/A* |
| Customer C | Brokerage and securities investment | **762** | N/A* |

* Revenue from the customers did not contribute over 10% of the total revenue of the Group for the corresponding year.

## 8. OTHER INCOME

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other income comprises: | | |
| Interest income on: | | |
| — Banks | **12** | 9 |
| — Other loan and receivables | **1,754** | 3,223 |
| Total interest income | **1,766** | 3,232 |
| Gain on disposals of property, plant and equipment | **400** | 80 |
| Foreign exchange gain, net | **1** | 22 |
| Sundry income | **1,162** | 1,765 |
| | **3,329** | 5,099 |
| *Other income analysed by category of asset is as follows:* | | |
| — From banks, loans and receivables | **1,766** | 3,232 |
| — From non-financial assets | **1,563** | 1,867 |
| | **3,329** | 5,099 |

## 9. FINANCE COSTS

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on other borrowings wholly repayable within five years | **1,641** | 1,115 |

## 10. PROFIT/(LOSS) FOR THE YEAR

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **Profit/(loss) for the year has been arrived at after charging:** | | |
| Staff costs, including directors' remuneration | | |
| — Salaries, allowances and other benefits | **19,830** | 18,079 |
| — Retirement benefits schemes contributions | **485** | 437 |
| | **20,315** | 18,516 |
| Auditors' remuneration | | |
| Audit services | **1,200** | 1,200 |
| Non-audit services | **566** | 453 |
| | **1,766** | 1,653 |
| Depreciation of property, plant and equipment | **4,273** | 3,603 |
| Operating lease rentals in respect of land and buildings | **9,637** | 8,849 |
| Net gain on financial assets at fair value through profit or loss: | | |
| — Proceeds on sales of investment | **91,836** | 63,974 |
| — Less: cost of sales | **(138,773)** | (77,298) |
| — Net realised loss on financial assets at fair value through profit or loss | **(46,937)** | (13,324) |
| — Unrealised gain on financial assets at fair value through profit or loss | **354,954** | 62,736 |
| — Dividend income | **22,505** | – |
| | **330,522** | 49,412 |

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

During the years, details of emoluments paid and payable to the directors of the Group were as follows:

| | | Fee | | Salaries and other benefits | | Retirement benefits schemes contributions | | Discretionary bonus | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | Note | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Executive directors** | | | | | | | | | | | |
| Zhang Guoqing | | **600** | 650 | **–** | – | **–** | – | **–** | – | **600** | 650 |
| Chen Shuda | *i* | **–** | 336 | **–** | – | **–** | – | **–** | – | **–** | 336 |
| Ng Shin Kwan, Christine | | **–** | – | **905** | 845 | **17** | 15 | **–** | – | **922** | 860 |
| Lee Jalen | | **–** | – | **780** | 780 | **–** | – | **–** | – | **780** | 780 |
| Chan Ah Fei | | **626** | 390 | **–** | – | **–** | – | **–** | – | **626** | 390 |
| Lee Yuk Fat | | **360** | 360 | **216** | 216 | **–** | – | **–** | – | **576** | 576 |
| Liang Shan | *ii* | **600** | – | **–** | – | **–** | – | **–** | – | **600** | – |
| **Independent non-executive directors** | | | | | | | | | | | |
| Wong Yun Kuen | | **120** | 120 | **–** | – | **–** | – | **–** | – | **120** | 120 |
| Wong Shun Loy | | **144** | 144 | **–** | – | **–** | – | **–** | – | **144** | 144 |
| Hu Chao | | **120** | 120 | **–** | – | **–** | – | **–** | – | **120** | 120 |
| | | **2,570** | 2,120 | **1,901** | 1,841 | **17** | 15 | **–** | – | **4,488** | 3,976 |

*Notes:*

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

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

The performance related incentive payments are determined with reference to the operating results, individual performance and comparable market statistics.

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2014 (2013: nil). During the year ended 31 December 2014, no emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2013: nil).

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

### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2013: two) were directors of the Company whose emoluments are included in the disclosures set out in Note 11(a) above. The emoluments of the remaining highest paid individuals were as follows:

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Salaries, allowances and other benefits | **3,610** | 3,250 |
| Retirement benefit schemes contributions | **49** | 45 |
| | **3,659** | 3,295 |

Their emoluments were within the following bands:

| | **2014** ***No. of employees*** | 2013 *No. of employees* |
|---|---|---|
| Nil to HK$1,000,000 | **1** | 2 |
| HK$1,000,001 to HK$1,500,000 | **1** | – |
| HK$1,500,001 to HK$2,000,000 | **1** | 1 |
| | **3** | 3 |

(c) During the year ended 31 December 2014, no emoluments were paid by the Group to any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. (2013: nil).

## 12. INCOME TAX (CREDIT)/EXPENSES

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Income tax expenses comprise: | | |
| **Current tax** | | |
| — Hong Kong Profits Tax | – | – |
| — PRC Enterprise Income Tax | – | 6 |
| | – | 6 |
| **Underprovision in prior year** | | |
| — Hong Kong Profits Tax | – | 450 |
| — PRC Enterprise Income Tax | – | – |
| | – | 450 |
| **Deferred Tax — current year** | (29,750) | 4,250 |
| | (29,750) | 4,706 |

Hong Kong Profits Tax is calculated at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year ended 31 December 2014.

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

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

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Profit before tax | 151,111 | 4,524 |
| Tax at Hong Kong Profits Tax rate of 16.5% (2013: 16.5%) | 24,933 | 746 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (304) | (463) |
| Tax effect of expenses not deductible for tax purpose | 22,671 | 18,373 |
| Tax effect of income not taxable for tax purpose | (62,282) | (20,749) |
| Tax effect of deductible temporary differences not recognised | (29,859) | 4,246 |
| Utilisation of tax losses previously not recognised | – | (243) |
| Tax effect of tax losses not recognised | 15,091 | 2,346 |
| Under provision in prior year | – | 450 |
| | (29,750) | 4,706 |

Details of deferred taxation are set out in Note 30.

## 13. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company for the years ended 31 December 2014 and 2013 is based on the following data:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Profit/(loss) for the year** | | |
| Profit/(loss) for the year attributable to owners of the Company for the purpose of basic earnings/(loss) per share | **180,856** | (178) |

| | **2014** | 2013 |
|---|---|---|
| | ***'000*** | *'000* |
| | | (restated) |
| **Number of ordinary shares** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share | **778,843** | 778,843 |

Diluted earnings/(loss) per share for the years ended 31 December 2014 and 2013 have been presented as equal to the basic earnings/(loss) per share because the exercise prices of the Company's share options were higher than the average market price for the years and is therefore considered as anti-dilutive.

The effects of the share consolidation on 6 February 2015 and the rights issue on 16 March 2015 have been included in the calculation of the weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share for the years ended 31 December 2014 and 2013.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK$'000 | Furniture and fixtures HK$'000 | Motor vehicles and yacht HK$'000 | Plant and machinery HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **The Group** | | | | | |
| **COST** | | | | | |
| At 1 January 2013 | 7,272 | 4,757 | 18,467 | 452 | 30,948 |
| Additions | 87 | 206 | 12,637 | – | 12,930 |
| Disposals | – | (608) | (351) | – | (959) |
| Exchange adjustments | 60 | 25 | 71 | 13 | 169 |
| At 31 December 2013 and 1 January 2014 | 7,419 | 4,380 | 30,824 | 465 | 43,088 |
| Additions | 1,448 | 1,682 | 707 | – | 3,837 |
| Disposals | – | – | (2,900) | – | (2,900) |
| Exchange adjustments | (52) | (21) | (62) | (12) | (147) |
| At 31 December 2014 | 8,815 | 6,041 | 28,569 | 453 | 43,878 |
| **DEPRECIATION AND IMPAIRMENT** | | | | | |
| At 1 January 2013 | 5,777 | 3,922 | 10,196 | 257 | 20,152 |
| Provided for the year | 549 | 547 | 2,432 | 75 | 3,603 |
| Eliminated on disposals | – | (608) | (351) | – | (959) |
| Exchange adjustments | 26 | 15 | 16 | 7 | 64 |
| At 31 December 2013 and 1 January 2014 | 6,352 | 3,876 | 12,293 | 339 | 22,860 |
| Provided for the year | 434 | 491 | 3,279 | 69 | 4,273 |
| Eliminated on disposals | – | – | (2,900) | – | (2,900) |
| Exchange adjustments | (26) | (18) | (18) | (7) | (69) |
| At 31 December 2014 | 6,760 | 4,349 | 12,654 | 401 | 24,164 |
| **CARRYING VALUES** | | | | | |
| **At 31 December 2014** | 2,055 | 1,692 | 15,915 | 52 | 19,714 |
| At 31 December 2013 | 1,067 | 504 | 18,531 | 126 | 20,228 |

## 15. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **The Company** | | |
| Cost of unlisted investments | – | – |
| Less: Impairment losses recognised | – | – |
| | – | – |
| Amounts due from subsidiaries | 2,462,991 | 2,470,222 |
| Less: Impairment losses recognised | (825,808) | (887,897) |
| | 1,637,183 | 1,582,325 |
| Amounts due to subsidiaries | (11,215) | (11,215) |

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

The movements in impairment losses in respect of amounts due from subsidiaries are set out as follows:

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Balance at beginning of the year | 887,897 | 965,266 |
| Reversed upon disposal during the year | – | (77,369) |
| Impairment losses reversed for the year | (62,089) | – |
| Balance at end of the year | 825,808 | 887,897 |

During the year ended 31 December 2014, the reversal of impairment loss of approximately HK$62,089,000 (2013: reversal of impairment losses upon disposal HK$77,369,000) has been recognised in respect of the Company's amounts due from subsidiaries to the extent that the recoverable amounts exceeded their carrying amounts based on the best estimate by the management.

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

Particulars of the Company's principal subsidiaries at 31 December 2014 are as follows:

| Name of subsidiary | Place of incorporation/ establishment | Issued and fully paid ordinary share capital/ registered capital | Proportion of nominal value of issued capital held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| Charter Pearl Limited | British Virgin Islands ("BVI") | USD1 (Share) | – | 100% | Investment holding |
| Excel Faith Holdings Limited | BVI | USD1 (Share) | – | 100% | Investment holding |
| Global Wealth Finance Limited | Hong Kong | HK$1 (Share) | – | 100% | Provision of finance |
| GT Capital Limited | Hong Kong | HK$55,000,000 (Share) | – | 100% | Securities brokerage |
| GT Financial Holdings Limited | BVI | USD1 (Share) | – | 100% | Investment holding |
| Moral Dragon Trading Limited | Hong Kong | HK$1 (Share) | – | 100% | Investment holding |
| Poly Dynamic Investments Limited# | BVI | HK$20,000,000 (Share) | – | 50.1% | Investment holding |
| Poly Minerals Holdings Limited | BVI | USD1 (Share) | – | 100% | Investment holding |
| Treasure Well Associates Limited | BVI | USD1 (Share) | 100% | – | Investment holding |
| Union Bless Limited | BVI | USD1 (Share) | – | 100% | Investment holding |
| Upperclass Developments Limited | Hong Kong | HK$1 (Share) | – | 100% | Securities investment |
| Yunnan Tin (Australia) Holdings Pty Ltd | Australia | AUD1,717,500 (Share) | – | 100% | Investment holding |
| Yunnan Tin (YTC) Holdings Pty Ltd | Australia | AUD1 (Share) | – | 100% | Investment holding |
| 錦繡德龍電子(深圳)有限公司* (literally translated as Jin Xiu De Long Electronics (Shenzhen) Company Limited) | The PRC | HK$8,010,000 (Paid-up registered capital) | – | 100% | Investment holding |

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

| Name of subsidiary | Place of incorporation/ establishment | Issued and fully paid ordinary share capital/ registered capital | Proportion of nominal value of issued capital held by the Company Directly | Proportion of nominal value of issued capital held by the Company Indirectly | Principal activities |
|---|---|---|---|---|---|
| 陽山景鴻礦業有限公司** (literally translated as Yang Shan Jing Hong Kuang Ye Company Limited) | The PRC | RMB2,100,000 (Paid-up registered capital) | – | 100% | Manufacturing and sales of iron ore products |
| 連南縣山聯鄉白帶頭水晶山磁鐵礦有限公司** (literally translated as Lian Nan Xian Shan Lian Xiang Bai Dai Tou Shui Jing Shan Magnetite Iron Ore Mine Company Limited) | The PRC | RMB100,000 (Paid-up registered capital) | – | 100% | Exploitation and sales of minerals |

# The non-controlling interests in respect of the subsidiary as at 31 December 2014 are HK$3,385,000 (2013: HK$3,380,000) and are not material to the Group.

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

** Registered as limited liability companies under the PRC law

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

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

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

## 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Note | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **The Group** | | | |
| Equity securities: | | | |
| — Listed securities | (i) | **18,475** | 19,333 |
| — Unlisted securities | (ii) | **215,000** | 215,000 |
| | | **233,475** | 234,333 |

Available-for-sale financial assets represent the Group's investment in listed and unlisted securities.

*Notes:*

(i) Listed securities

The listed securities of the Group at the end of the reporting period represent the Group's listed investment in Aurelia Metals Limited (formerly known as YTC Resources Limited) of which shares are listed on the Australian Securities Exchange. They are measured at fair value based on the quoted market bid prices available on the relevant stock exchange at the end of the reporting period.

(ii) Unlisted securities

The unlisted securities of the Group at the end of the reporting period represent the Group's investment in unlisted equity securities issued by a private entity namely HEC Capital Limited ("HEC"), which is held for an identified long term strategic purpose. The Group was interested in 36,500,000 shares in HEC (representing about 3.97% (2013: 4.09%) of the total issued share capital of HEC) as at 31 December 2014. HEC is incorporated in Cayman Islands which is mainly engaged in property investment, provision of investment advisory and financial services, money lending and trading of securities.

This investment is measured at cost less impairment, if any at the end of the reporting period.

As a result of the impairment assessment, the directors of the Company consider that no objective evidence of impairment was identified at 31 December 2014, and no impairment was recognised for the year ended 31 December 2014 accordingly (2013: nil).

## 17. OTHER ASSETS

### The Group

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

## 18. TRADING RIGHT

| | HK$'000 |
|---|---|
| **The Group** | |
| **COST** | |
| Balance at 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014 | 778 |
| **AMORTISATION AND IMPAIRMENT** | |
| Balance at 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014 | 778 |
| **CARRYING VALUES** | |
| At 31 December 2014 | – |
| At 31 December 2013 | – |

Trading right is amortised on a straight-line basis over the useful life of four years and the amount was fully amortised in prior years.

## 19. MINING RIGHT

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **The Group** | | |
| **COST** | | |
| At beginning and at end of the year | **630,000** | 630,000 |
| **AMORTISATION AND IMPAIRMENT** | | |
| At beginning of the year | **371,000** | 388,000 |
| Impairment loss recognised/(reversed) for the year | **119,000** | (17,000) |
| At end of the year | **490,000** | 371,000 |
| **CARRYING VALUES** | | |
| At end of the year | **140,000** | 259,000 |

## 19. MINING RIGHT *(Continued)*

As at 31 December 2014 and 31 December 2013, the amount represents the mining right licence of a magnetite iron ore mine situated at the Guangdong Province, the PRC, expiring on 24 December 2015.

On 31 October 2011, there was a serious geological disaster caused by the Lian Nan County Damaishan Mine (連南縣大麥山礦業場). On 16 February 2012, the Department of Land and Resources of Lian Nan Yao Autonomous County (連南瑤族自治縣國土資源局) issued a notice announcing that a complete review of all mining operations was to be conducted by the relevant departments of the said county and ordering the suspension of all mining operations in the Lian Nan County until further notice and/or approval (the "Order"). The Group has been continuing to pursue the uplift of the Order with the relevant governmental authorities of the PRC (the "Authorities"), but up to the date of this report, there is still no concrete and clear indication given by the Authorities as to when the Order will be uplifted. Nevertheless, the Group is anxiously desiring to have the Order uplifted in the near future, with the expectation that it shall be no later than the end of 2016.

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

The fair value of the mining right licence of approximately HK$140,000,000 at 31 December 2014 has been arrived at on the basis of a valuation carried out by BMI Appraisals Limited, an independent qualified professional valuer and under the assumptions that the Order will be uplifted by the end of 2016 and the Group can renew the mining right licence indefinitely till all proven reserves have been mined. In the view of the decrease in the market price of iron ore products at 31 December 2014, there was a decrease in the fair value of the Mine as at 31 December 2014.

The fair value of the mining right has been determined by using value-in-use calculation. The value-in-use calculation is based on a pre-tax discount rate of 21.16% (2013: 21.86%) and cash flow projections prepared from financial forecasts approved by the directors of the Company. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the mining unit's expected and forecasted performance and management's expectations for the market development.

Based on the above basis and assumptions, an impairment loss of approximately HK$119,000,000 (2013: reversal of impairment loss on mining right of HK$17,000,000) has been recognised in respect of the mining right to the extent that the carrying amount exceeded its recoverable amount based on the best estimate by the directors of the Company.

The movements in impairment losses in respect of the mining right are set out as follows:

| | **2014**<br>***HK$'000*** | 2013<br>*HK$'000* |
|---|---|---|
| Balance at beginning of the year | **359,019** | 376,019 |
| Impairment loss recognised/(reversed) during the year | **119,000** | (17,000) |
| Balance at end of the year | **478,019** | 359,019 |

## 20. GOODWILL

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **The Group** | | |
| Cost | **128,679** | 128,679 |
| Accumulated impairment losses | **(128,679)** | (128,679) |
| | **–** | – |

The amount represented the goodwill in respect of the acquisition of Union Bless Limited and its subsidiaries in year 2009 which were mainly engaged in the exploitation and sales of magnetite iron ore. The goodwill was fully impaired in prior years.

## 21. INVENTORIES

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **The Group** | | |
| Raw materials | **794** | 815 |
| Finished goods | **130** | 133 |
| | **924** | 948 |

## 22. TRADE AND OTHER RECEIVABLES

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| **The Group** | | |
| Trade receivables | **35,581** | 28,302 |
| Less: Impairment | **(1,617)** | (1,490) |
| | **33,964** | 26,812 |
| Other receivables and prepayments | **18,669** | 37,544 |
| Less: Impairment | **(356)** | (356) |
| | **18,313** | 37,188 |
| | **52,277** | 64,000 |

*Trade receivables analysed as:*

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Trade receivables arising from securities brokerage business: | | |
| — Margin account clients | **34,182** | 23,218 |
| — Cash account clients | **852** | 4,530 |
| — Others | **297** | 297 |
| | **35,331** | 28,045 |
| Trade receivables arising from mining business | **250** | 257 |
| | **35,581** | 28,302 |

For trade receivables arising from securities brokerage business, the settlement term is two days after the trade date. Interests are charged on overdue cash account clients and margin account clients at Hong Kong prime rate plus 7% (2013: prime rate plus 7%) per annum and at prime rate plus 4% (2013: prime rate plus 4%) per annum, respectively.

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

## 22. TRADE AND OTHER RECEIVABLES *(Continued)*

An aging analysis of the trade receivables at the end of the reporting periods are as follows:

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| 0 to 60 days | **28,300** | 10,535 |
| 61 to 90 days | **259** | 4,676 |
| Over 90 days | **7,022** | 13,091 |
| | **35,581** | 28,302 |

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

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Overdue by: | | |
| 1 to 60 days | **19,201** | 10,420 |
| 61 to 90 days | **259** | 4,676 |
| Over 90 days | **7,022** | 13,091 |
| | **26,482** | 28,187 |

The overdue trade receivables are mainly arising from margin clients. The Group did not provide any allowance on the past due receivables from margin clients as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. Margin loans due from margin clients are current and repayable on demand. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading.

## 23. EARNEST MONEY

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **The Group** | | |
| Earnest money paid | **300,000** | 300,000 |

Pursuant to a sale and purchase agreement dated 8 February 2013 (as amended and supplemented by the supplemental agreement dated 26 June 2013) between the Group, Charter Bonus Limited (the "Mega Marks Vendor") and Mr. Lai Leong (the guarantor), the Group agreed to purchase the entire share capital of Mega Marks Limited ("Mega Marks") and the related amounts owing by Mega Marks to Mega Marks Vendor as at completion date of the proposed acquisition (the "Mega Marks Acquisition") for an aggregate consideration of HK$1,200,000,000 (subject to adjustment).

Mega Marks Limited is a company incorporated in the BVI with limited liability. The principal assets of Mega Marks are two iron ore open cut mines located near Bulunkou village in Aketao County of the Xinjiang Uyghur Autonomous Region, the PRC.

Up to 31 December 2014, earnest money of HK$300,000,000 was paid by the Group to the Mega Marks Vendor in relation to the Mega Marks Acquisition, and it is subject to full refund without interest upon the termination of the Mega Marks Acquisition.

Pursuant to the Company's announcement dated 31 October 2014, the Group has signed an extension notice on 31 October 2014 to extend the long stop date of the Mega Marks Acquisition to 30 June 2015 and further details of the Mega Marks Acquisition are set out in the Company's announcements dated 14 February 2013, 25 February 2013, 26 June 2013, 6 December 2013, 12 December 2013, 28 February 2014, 31 March 2014, 30 May 2014 and 31 October 2014.

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **The Group** | | |
| Financial assets at FVTPL | | |
| — Listed securities in Stock Exchange | **676,692** | 405,370 |

Included in listed securities above is the Group's investment in Heritage International Holding Limited, a company incorporated in Bermuda. The investment represents a 0.03% holding of the ordinary shares of Heritage International Holding Limited and more than 10% of the carrying value of the total assets in the Group's consolidated statement of financial position as at 31 December 2014.

Further information of the fair values of financial assets at FVTPL is disclosed in Note 5(b).

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Bank balances held under segregated trust accounts | **32,625** | 44,477 | **–** | – |
| Cash and cash equivalents — Bank balances and cash | **30,357** | 51,498 | **2,034** | 2,034 |
| | **62,982** | 95,975 | **2,034** | 2,034 |

Bank balances as at 31 December 2014 carry interest at floating rates based on daily bank deposit rate ranging from 0.001% to 0.02% (2013: 0.001% to 0.01%).

As the Group is engaged in the business of securities dealing and brokerage, it receives and holds money deposits by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated trust bank accounts which was recorded as "bank balances held under segregated trust accounts" under current assets in the consolidated statement of financial position. The Group has recognised the corresponding account payables to respective clients and other institutions. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

## 26. TRADE AND OTHER PAYABLES

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **The Group** | | |
| Trade payables | 39,094 | 76,745 |
| Other payables and accruals | 5,497 | 4,405 |
| Securities accounts | 10,151 | 7,045 |
| Trade and other payables | 54,742 | 88,195 |

*Trade payables analysed as:*

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Trade payables arising from securities brokerage business: | | |
| — Cash account clients | 20,718 | 8,653 |
| — Margin account clients | 17,971 | 67,623 |
| | 38,689 | 76,276 |
| Trade payables arising from mining business | 405 | 469 |
| | 39,094 | 76,745 |

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

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| 0 to 60 days | 19,706 | 69,603 |
| 61 to 90 days | 10,193 | 553 |
| Over 90 days | 9,195 | 6,589 |
| | 39,094 | 76,745 |

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

Included in trade payables arising from securities brokerage business of approximately HK$32,625,000 (2013: HK$44,477,000) was payable to clients and other institutions in respect of the trust bank balances received and held for clients and other institutions in the course of the conduct of the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed. The deposits placed carry variable commercial interest rates.

## 27. PROVISION

### The Group

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

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

As at 31 December 2014, the outstanding provision regarding to this incident was HK$8,000,000 (2013: HK$8,000,000).

In addition, pursuant to a preliminary legal advice, such subsidiary may also be subject to a maximum penalty of HK$10,000,000 to the enforcement agency for the allegedly irregular transactions conducted by the former employee. In the opinion of the directors, since the investigation of the matters by the enforcement agency is in progress, up to the end of the reporting period no penalty against the subsidiary has been received and further, the directors cannot reasonably estimate the outcome of the matters and thus, the Group did not provide any provision on such potential penalty as at 31 December 2014 (2013: nil). The possible maximum penalty of HK$10,000,000 is therefore regarded as a contingent liability of the Group as at 31 December 2014 (2013: HK$10,000,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 28. SHARE CAPITAL

| | **2014** Number of shares ('000) | **2014** HK$'000 | 2013 Number of shares ('000) | 2013 HK$'000 |
|---|---|---|---|---|
| Authorised: (Note (a) below) | | | | |
| Nil (2013: 45,000,000,000 ordinary shares of HK$0.01 each) (Note (b) below) | **–** | **–** | 45,000,000 | 450,000 |
| Issued and fully paid: | | | | |
| At 1 January | **389,421** | **3,894** | 389,421 | 3,894 |
| Transition to no-par value regime on 3 March 2014 (Note (c) below and Note 29) | **–** | **2,262,193** | – | – |
| At 31 December | **389,421** | **2,266,087** | 389,421 | 3,894 |

*Notes:*

(a) Pursuant to the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital was no longer exists.

(b) In accordance with Section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or normal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any if the members as a result of this transition.

(c) In accordance with the transitional provision set out in Section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, the amount of approximately HK$2,262,193,000 regarding the credit of the share premium account has become part of the Company's share capital.

## 29. RESERVES OF THE COMPANY

| | Share premium HK$'000 | Capital reserve HK$'000 (Note below) | Share options reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **The Company** | | | | | |
| At 1 January 2013 | 2,262,193 | 3,547 | 52,865 | (817,642) | 1,500,963 |
| Profit and total comprehensive income for the year | – | – | – | 66,566 | 66,566 |
| At 31 December 2013 and 1 January 2014 | 2,262,193 | 3,547 | 52,865 | (751,076) | 1,567,529 |
| Profit and total comprehensive income for the year | – | – | – | 53,069 | 53,069 |
| Transition to no-par value regime on 3 March 2014 (Note 28) | (2,262,193) | – | – | – | (2,262,193) |
| At 31 December 2014 | – | 3,547 | 52,865 | (698,007) | (641,595) |

The Company has no distribution reserve as at the end of the reporting period.

*Note:* The capital reserve of the Company represented the amount of initial payment from certain shareholders to subscribe for new shares in the Company and the amount was subsequently forfeited as a result of non-payment of the remaining committed contribution in prior years.

## 30. DEFERRED TAX LIABILITIES

### The Group

The following is the deferred tax liability recognised for the impairment loss recognised in respect of the mining right, and the movements thereon, during the year:

| | **2014** ***HK$'000*** | 2013 *HK$'000* |
|---|---|---|
| At beginning of the year | **64,750** | 60,500 |
| (Credited)/charged to profit or loss | **(29,750)** | 4,250 |
| At end of the year | **35,000** | 64,750 |

As at 31 December 2014, the Group has unused tax losses of HK$843,106,000 (2013: HK$747,908,000) available for offsetting against future profits. No deferred tax assets have been recognised as the Company and certain subsidiaries of the Company have been loss making for several years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Tax loss may be carried forwards indefinitely except for RMB14,433,000 (2013: RMB10,240,000) those that will be expired in one to five years.

## 31. SHARE OPTION SCHEME

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

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

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

Details of specific categories of share options are as follows:

| Tranche | Date of grant | Exercisable period | Closing price of the Company's shares immediately before the grant date | Exercise price at grant date | Exercise price at 31 December 2013 | Exercise price at 31 December 2014 |
|---|---|---|---|---|---|---|
| | *dd/mm/yyyy* | *dd/mm/yyyy* | *HK$* | *HK$* | *HK$* | *HK$* |
| Three (note below) | 03/12/2007 | 03/12/2007 to 02/12/2017 | 1.04 | 1.22 | 96.8 | 96.8 |

*Note:* There was no vesting period for the share options granted by the Company. The original exercise price of the share options was HK$1.22. The exercise price of the share options outstanding as at 31 December 2010 have been adjusted from HK$1.22 to HK$12.2 regarding the effect of the share consolidation which became effective in November 2010. The exercise price of the share options outstanding as at 31 December 2011 have been adjusted from HK$12.2 to HK$4.84 regarding the effect of the rights issue which became effective in January 2011. The exercise price of the share options outstanding as at 31 December 2012 have been adjusted from HK$4.84 to HK$96.8 regarding the effect of the capital reorganisation which became effective in January 2012.

## 31. SHARE OPTION SCHEME *(Continued)*

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

| Name or category of participant | Date of grant *dd/mm/yyyy* | Exercisable period *dd/mm/yyyy* | Exercise price per share *HK$* | Number of share options At 1 January | Lapsed during the year | Outstanding at 31 December |
|---|---|---|---|---|---|---|
| *Year ended 31 December 2014* | | | | | | |
| **Directors** | | | | | | |
| Ng Shin Kwan, Christine | 03/12/2007 | 03/12/2007–02/12/2017 | 96.8 | 211,455 | – | 211,455 |
| Wong Yun Kuen | 03/12/2007 | 03/12/2007–02/12/2017 | 96.8 | 655 | – | 655 |
| Subtotal: | | | | 212,110 | – | 212,110 |
| **Employees (other than directors) in aggregate** | 03/12/2007 | 03/12/2007–02/12/2017 | 96.8 | 136,178 | – | 136,178 |
| **Other participants in aggregate** | 03/12/2007 | 03/12/2007–02/12/2017 | 96.8 | 982,020 | – | 982,020 |
| **Total:** | | | | 1,330,308 | – | 1,330,308 |
| Weighted average exercise price (HK$) | | | | 96.8 | – | 96.8 |
| Weighted average remaining contractual life (Number of years) | | | | | | 2.92 |
| *Year ended 31 December 2013* | | | | | | |
| **Directors** | | | | | | |
| Ng Shin Kwan, Christine | 03/12/2007 | 03/12/2007–02/12/2017 | 96.8 | 211,455 | – | 211,455 |
| Wong Yun Kuen | 03/12/2007 | 03/12/2007–02/12/2017 | 96.8 | 655 | – | 655 |
| Subtotal: | | | | 212,110 | – | 212,110 |
| **Employees (other than directors) in aggregate** | 03/12/2007 | 03/12/2007–02/12/2017 | 96.8 | 136,178 | – | 136,178 |
| **Other participants in aggregate** | 03/12/2007 | 03/12/2007–02/12/2017 | 96.8 | 982,020 | – | 982,020 |
| **Total:** | | | | 1,330,308 | – | 1,330,308 |
| Weighted average exercise price (HK$) | | | | 96.8 | – | 96.8 |
| Weighted average remaining contractual life (Number of years) | | | | | | 3.92 |

## 31. SHARE OPTION SCHEME *(Continued)*

The options may be exercised at any time of the option period provided that the options have been vested. The options were vested upon commencement of exercise period.

At the end of the reporting period, the Company had 1,330,308 (2013: 1,330,308) share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options would under the present capital structure of the Company, resulting in issue of 1,330,308 (2013: 1,330,308) additional ordinary shares of the Company and additional share capital of approximately HK$128,774,000 (2013: approximately HK$128,774,000) (before the issue expenses).

The following major assumptions were used to calculate the fair values of Tranche Three share options granted during the year ended 31 December 2007:

| **Inputs into the model** | **Option Type Tranche Three** |
|---|---|
| Grant date share price | HK$1.05 |
| Exercisable period | 10 years |
| Exercise price | HK$1.22 |
| Expected life | 1.22 year |
| Expected volatility | 128.80% |
| Dividend yield | 0% |
| Risk-free interest rate | 1.416% |

The Company has used the Black-Scholes option pricing model to value the Tranche Three share options. 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. The expected life of the options was determined with reference to the historical share price records of the Company and the expected volatility was determined with reference to the historical volatilities of the share prices of the Company over the period that is equal to the expected life of the options before the grant date.

## 32. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Minimum lease payments paid under operating leases during the year<br>— Land and buildings | **9,148** | 8,849 |

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **7,458** | 7,967 |
| In the second to fifth years, inclusive | **2,717** | 5,644 |
| Over five years | **210** | 240 |
| | **10,385** | 13,851 |

Operating lease payments represent rentals payable by the Group for the Group's office premises. Leases are negotiated for an average term of two years with fixed rentals (2013: two years).

## 33. COMMITMENTS

### Capital Commitments

Save as disclosed in this report, the Group has no capital commitments as at 31 December 2014 (2013: nil).

### Others

(1) On 8 February 2013, the Group entered in an agreement (as amended by the supplement agreement dated 26 June 2013) with Charter Bonus Limited (the "Mega Marks Vendor") and Mr. Lai Leong (the guarantor). Mega Marks Limited is a private limited liability company incorporated in BVI. Pursuant to which, the Group agreed to acquire of Mega Marks Limited and its subsidiaries from Charter Bonus Limited at an aggregate consideration of HK$1,200,000,000 ("Mega Marks Acquisition"). The consideration will be satisfied as to HK$690,000,000 in cash, as to HK$210,000,000 by the allotment and issue of the consideration shares and as to HK$300,000,000 by the issue of the convertible bonds. Up to 31 December 2014, earnest money of HK$300,000,000 was paid by the Group to the Mega Marks Vendor in relation to the Mega Marks Acquisition, and it is subject to full refund without interest upon the termination of the Mega Marks Acquisition.

Pursuant to the Company's announcement dated 31 October 2014, the Group has signed an extension notice on 31 October 2014 to extend the long stop date of the Mega Marks Acquisition to 30 June 2015 and further details of the Mega Marks Acquisition are set out in the Company's announcements dated 14 February 2013, 25 February 2013, 26 June 2013, 6 December 2013, 12 December 2013, 28 February 2014, 31 March 2013, 30 May 2014 and 31 October 2014.

(2) On 24 June 2014, the Group entered into an agreement (as amended by the supplemental agreements dated 18 August 2014 and 24 October 2014) with Perfect Ease International Limited, a private limited liability company incorporated in BVI. Pursuant to which, the Group agreed to acquire 40% of the total issued share capital of China Sky Holdings Limited ("China Sky") from Perfect Ease International Limited for a total consideration of HK$370,000,000 (the "Acquisition"). China Sky is a private limited liability company incorporated in the BVI with a major subsidiary principally engaged in the business of development, construction and building management of the development project of residential and commercial complex known as "Jintang New City Plaza" (金唐新城市廣場) comprising Phase I & Phase II located in Chongqing, the PRC. The Acquisition was approved by the shareholders of the Company on 5 February 2015.

All conditions precedent under the sale and purchase agreement have been fulfilled and the completion took place on 16 March 2015.

Reference is made to the announcements, circular and listing documents of the Company dated 18 August 2014, 24 September 2014, 24 October 2014, 28 November 2014, 24 December 2014, 5 February 2015, 9 February 2015, 24 February 2015, 13 March 2015 and 16 March 2015.

## 34. PLEDGE OF ASSETS

At the end of each reporting period, the Group had no fixed assets pledged as security for any credit facilities granted to the Group.

## 35. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs not exceeding HK$1,250 or HK$1,500 effective from 1 June 2014 for each eligible employee to the scheme monthly.

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

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the year ended 31 December 2014 are disclosed in Note 10.

## 36. CONTINGENT LIABILITIES

As explained in Note 27, the Group is subject to a possible maximum penalty of HK$10,000,000 in respect of allegedly irregular transactions conducted by the former employee in prior years.

Save as disclosed in this report, at the end of each reporting period, the Group and the Company did not have any significant contingent liabilities.

## 37. SIGNIFICANT MATERIAL RELATED PARTY TRANSACTIONS

### Key management personnel remuneration

During the year ended 31 December 2014, the Group had remuneration paid to the directors and other members of key management of the Group as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| *Directors* | | |
| Salaries and other benefits | **4,471** | 3,961 |
| Discretionary bonuses | **–** | – |
| Retirement benefits schemes contributions | **17** | 15 |
| | **4,488** | 3,976 |
| *Other members of key management:* | | |
| Salaries and other benefits | **544** | 520 |
| Discretionary bonuses | **–** | – |
| Retirement benefits schemes contributions | **17** | 15 |
| | **561** | 535 |
| | **5,049** | 4,511 |

Save as disclosed in this report, the Group did not have any other significant transactions and balances with related parties during the year and/or at the end of each reporting period.

## 38. EVENTS AFTER THE REPORTING PERIOD

The following is the significant events which have taken place subsequent to the end of the reporting period:

Reference is made to the announcements, circular and listing documents of the Company dated 18 August 2014, 24 September 2014, 24 October 2014, 28 November 2014, 24 December 2014, 5 February 2015, 9 February 2015, 24 February 2015, 13 March 2015 and 16 March 2015. Terms used hereinafter are defined in the above announcements, circular and listing documents.

(1) On 5 February 2015, all ordinary resolutions to approve the Acquisition, the Share Consolidation and the Rights Issue were passed at the extraordinary general meeting of the Company, and the Share Consolidation became effective on 6 February 2015.

(2) On 16 March 2015, the Board announced that all conditions precedent under the sale and purchase agreement have been fulfilled and the transaction was completed. Upon completion, the Company is beneficially interested in 40% equity interests in the Target Company and the Target Group is become an associate of the Company.

On the same day, the Group issued a total of 700,958,385 new shares and raised approximately HK$420,600,000 as a result of the Rights Issue. The net proceeds from the Rights Issue are used for the payment of the cash consideration of HK$370,000,000 for the Acquisition and the remaining amount of proceeds for the general working capital purposes of the Company.

## 39. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2015.

# FIVE YEAR FINANCIAL SUMMARY

| | 2010<br>*HK$'000* | 2011<br>*HK$'000* | 2012<br>*HK$'000* | 2013<br>*HK$'000* | **2014**<br>***HK$'000*** |
|---|---|---|---|---|---|
| **RESULTS** | | | | | |
| Turnover | 36,618 | 31,886 | 13,500 | 4,400 | **5,642** |
| Profit/(loss) before taxation | (186,296) | (438,534) | (341,906) | 4,524 | **151,111** |
| Income tax credit/(expense) | (498) | 2,184 | 94,000 | (4,706) | **29,750** |
| (Loss)/profit for the year | (186,794) | (436,350) | (247,906) | (182) | **180,861** |
| (Loss)/profit attributable to: | | | | | |
| Owners of the Company | (186,794) | (436,350) | (246,300) | (178) | **180,856** |
| Non-controlling interests | – | – | (1,606) | (4) | **5** |
| | (186,794) | (436,350) | (247,906) | (182) | **180,861** |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | 1,567,180 | 1,652,948 | 1,353,736 | 1,382,278 | **1,488,596** |
| Total liabilities | (197,680) | (188,341) | (134,114) | (161,205) | **(98,002)** |
| | 1,369,500 | 1,464,607 | 1,219,622 | 1,221,073 | **1,390,594** |
| Equity attributable to owners of the Company | 1,369,500 | 1,464,607 | 1,216,238 | 1,217,693 | **1,387,209** |
| Non-controlling interests | – | – | 3,384 | 3,380 | **3,385** |
| | 1,369,500 | 1,464,607 | 1,219,622 | 1,221,073 | **1,390,594** |