



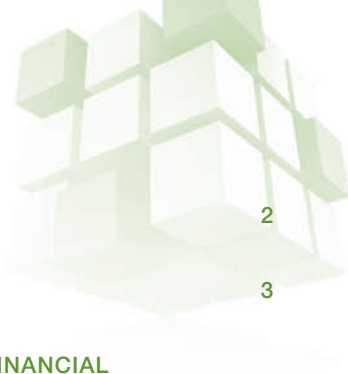
中國礦業資源集團有限公司\*  
China Mining Resources Group Limited  
(Incorporated in Bermuda with limited liability)  
Stock Code: 340

2014  
Interim Report



\* For identification purpose only

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# Corporate Information

## **DIRECTORS**

### **Executive Directors:**

Wang Hui  
Fang Yi Quan

### **Independent Non-executive Directors:**

Chong Cha Hwa  
Chu Kang Nam  
Ngai Sai Chuen

## **AUDIT COMMITTEE**

Chong Cha Hwa (*Chairman*)  
Chu Kang Nam  
Ngai Sai Chuen

## **REMUNERATION COMMITTEE**

Chong Cha Hwa (*Chairman*)  
Chu Kang Nam  
Ngai Sai Chuen  
Fang Yi Quan

## **NOMINATION COMMITTEE**

Chong Cha Hwa (*Chairman*)  
Chu Kang Nam  
Ngai Sai Chuen

## **COMPANY SECRETARY**

Leung Lai Ming

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

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

## **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## **PRINCIPAL SHARE REGISTRAR**

MUFG Fund Services (Bermuda)  
Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

## **HONG KONG BRANCH SHARE REGISTRAR**

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

## **AUDITORS**

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

## **PRINCIPAL BANKERS**

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

## **STOCK CODE**

00340

## **COMPANY WEBSITE**

[www.chinaminingresources.com](http://www.chinaminingresources.com)

# Management Discussion and Analysis



## RESULTS REVIEW

For the six months ended 30 June 2014, China Mining Resources Group Limited (the “Company”) together with its subsidiaries (the “Group”) recorded a consolidated revenue of HK\$107,188,000 (six months ended 30 June 2013: HK\$90,046,000) and gross profit of HK\$48,143,000 (six months ended 30 June 2013: HK\$49,562,000), representing an increase of 19% and a decrease of 3% respectively as compared with the corresponding period in 2013. The increase in revenue in the first half of 2014 was mainly attributable to the significant increase of revenue generated from Harbin Songjiang Copper (Group) Company Limited (“Harbin Songjiang”) and its subsidiaries (together with Harbin Songjiang, “Harbin Songjiang Group”), partially offset by a moderate decrease of revenue generated from King Gold Investments Limited (“King Gold”) and its subsidiaries (together with King Gold, “King Gold Group”).

The Group’s unaudited loss attributable to owners of the Company amounted to HK\$18,769,000 (six months ended 30 June 2013: HK\$19,094,000).

The Group’s earnings before interest, taxes, depreciation and amortisation (“EBITDA”) was HK\$1,988,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: loss before interest, tax, depreciation and amortisation (“LBITDA”) of HK\$256,000).

# Management Discussion and Analysis



## REVIEW OF OPERATIONS

### Harbin Songjiang Group

Harbin Songjiang is based in Harbin, Heilongjiang Province, the People's Republic of China (the "PRC") and specialises in the mining, processing and sales of molybdenum. Harbin Songjiang Group contributed HK\$51,415,000 (six months ended 30 June 2013: HK\$23,511,000) and HK\$7,503,000 (six months ended 30 June 2013: HK\$2,399,000) to the Group's revenue and profit respectively for the six months ended 30 June 2014. Mining business revenue for the six months ended 30 June 2014 increased by 119% to HK\$51,415,000 compared to corresponding period in the previous financial year. The increase was mainly attributable to the significant increase in sales volume of overseas ferro molybdenum sales during the six months ended 30 June 2014. The sales volume of ferro molybdenum increased from 190 tonnes for the six months ended 30 June 2013 to 459 tonnes for the six months ended 30 June 2014 which was mainly attributable from the 300 tonnes overseas sales, whereas there was no overseas sales in the corresponding period of 2013. The average selling price of ferro molybdenum fell to around HK\$112,016 per tonne during the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$123,750 per tonne). The cost of sales of Harbin Songjiang Group for the six months ended 30 June 2014 was HK\$29,748,000 (six months ended 30 June 2013: HK\$8,888,000) and the gross profit margin was 42% (six months ended 30 June 2013: 62%). The decrease of the gross profit margin was mainly caused by the decrease of selling price of ferro molybdenum during the six months ended 30 June 2014.

# Management Discussion and Analysis



## REVIEW OF OPERATIONS (continued)

### King Gold Group

King Gold Group is principally engaged in cultivation, research, production and sale of Chinese tea products, and its products are selling under the brand names of “武夷” and “武夷星” which are well-recognised in the PRC as premium tea products and widely distributed throughout the country. King Gold Group contributed HK\$55,773,000 (six months ended 30 June 2013: HK\$66,534,000) and HK\$2,372,000 (six months ended 30 June 2013: profit of HK\$10,327,000) to the Group’s revenue and loss respectively for the six months ended 30 June 2014. For the six months ended 30 June 2014, King Gold Group generated revenue of HK\$55,773,000. This represented a decrease of HK\$10,761,000 or 16% in revenue when compared with the revenue of HK\$66,534,000 generated in the first half of 2013. Decrease in revenue was mainly attributable to the effects of slowdown of the economic development in the PRC and various austerity measures implemented by the PRC government which had affected the general spending sentiment and confidence of customer market in the PRC during the first half of 2014. The cost of sales of King Gold Group decreased from HK\$31,596,000 for the six months ended 30 June 2013 to HK\$29,297,000 for the six months ended 30 June 2014. The average gross profit margin for the current period was 47%, representing a decrease of 6% as compared with 53% of average gross profit margin in the first half of 2013.

### Year Joy Group

Year Joy Investments Limited (“Year Joy”) indirectly owns 100% of the economic benefit from the operation of the iTV business of China iTV Network Co., Ltd. (“China iTV”), a company established in the PRC on 7 September 1998 with limited liability, through an exclusive business operation agreement. China iTV is mainly engaged in providing online video service which involves an online video platform that offers various contents and deliver various value-added services to the customers of the telecommunication companies in the PRC. iTV business started generated revenue in the second half of 2012. The iTV business is still in the stage of developing client network. Year Joy and its subsidiaries (together with Year Joy, “Year Joy Group”) contributed HK\$Nil (six months ended 30 June 2013: HK\$1,000) and HK\$1,731,000 (six months ended 30 June 2013: HK\$1,645,000) to the Group’s revenue and loss respectively for the six months ended 30 June 2014.

# Management Discussion and Analysis



## **REVIEW OF OPERATIONS** (continued)

### **Investments in Canada listed mining companies and other securities**

The Group invested in several Canada listed mining companies which were held for the purpose of long-term investments and capital gain and dividend income during the six months ended 30 June 2014. The investment portfolio of the Group, including available-for-sale investments, recorded appreciation during the first half of 2014. The net increase in fair value of the investment portfolio during the six months ended 30 June 2014 was HK\$1,752,000 (six months ended 30 June 2013: HK\$6,860,000) and was recorded in the change of investment revaluation reserve.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2014, the Group had total assets and net liabilities of HK\$756,148,000 (31 December 2013: HK\$741,600,000) and HK\$14,707,000 (31 December 2013: net assets of HK\$8,020,000), respectively. The current ratio was 0.91, as compared to 0.95 as of year ended 31 December 2013.

As at 30 June 2014, the Group had bank balances and cash, of HK\$131,531,000 (31 December 2013: HK\$118,555,000), of which most were denominated in Renminbi, Canadian dollar and Hong Kong dollar.

As at 30 June 2014, the Group had (i) bank borrowings of HK\$128,398,000 (31 December 2013: HK\$107,806,000) which were denominated in Renminbi and interest-bearing at floating rates with reference to the prevailing borrowing rate quoted by the People's Bank of China and (ii) other loans of HK\$6,659,000 (31 December 2013: HK\$6,710,000), which were denominated in Renminbi, of which HK\$1,259,000 was interest-free and HK\$5,400,000 was interest-bearing at 2.55% per annum. The gearing ratio, as a ratio of total borrowings to shareholders' fund was negative of 79.6% due to the Company's negative equity position (31 December 2013: 76.9%).

As at 30 June 2014, the Group has pledged a building and a prepaid lease payment with carrying values of approximately HK\$20,487,000 (31 December 2013: HK\$21,442,000) and HK\$25,555,000 (31 December 2013: HK\$19,938,000) respectively to secure general banking facilities grant to the Group.

# Management Discussion and Analysis



## **FOREIGN EXCHANGE RISK MANAGEMENT**

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

## **SHARE CAPITAL**

As at 30 June 2014, the Company had 9,138,782,211 ordinary shares and 3,776,190,000 non-redeemable convertible preference shares in issue with total shareholders' fund of the Group amounting to approximately HK\$1,291,497,000.

## **CONTINGENT LIABILITIES**

The Group has no material contingent liabilities as at 30 June 2014 (31 December 2013: Nil).

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

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

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

There were no material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2014.



# Management Discussion and Analysis



## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2014, the Group had approximately 10 and 778 employees in Hong Kong and Mainland China respectively.

The staff cost of the Group (including directors' remuneration in form of salary and other benefits, share-based payments, performance related incentive payments and retirement benefit contributions) was approximately HK\$19,536,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$15,093,000). There was a share-based payment of HK\$212,000 arising from granting of share options to the directors of the Company during the six months ended 30 June 2013 and nil for the six months ended 30 June 2014.

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

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

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

## **PROSPECTS**

The international and domestic market of molybdenum remain at a low level with narrow fluctuations in the first half of 2014 as the market price of the molybdenum products continued to hover at a low level and the risks and pressure remained in this industry. Despite the adverse conditions of the complicated ferro molybdenum market, the Group is implementing cost reduction, and is enhancing the production efficiency, to well prepare itself to grasp the opportunities that will come with the recovery of the market.

# Management Discussion and Analysis



## **PROSPECTS** (Continued)

Due to the slowdown of economic development in the PRC and the various austerity measures implemented by the PRC government, there is a declining trend of spending on luxury products and business gifts in the PRC's domestic market, as the market condition for our tea business has remained difficult in the first half 2014. During the reporting period, notwithstanding adverse conditions of the tea market, the management of the Group still put great effort to overcome the difficulties, and adopted a series of market promotion to expand the customer base and promote the "Wuyi star" and "Wuyi" brands in the PRC market. Looking ahead, the future operating environment of tea industry in the PRC is still expected to face significant challenge and uncertainties. The Group will continue to strengthen the existing tea products under "Wuyi star" and "Wuyi" brands, develop and launch new and exclusive tea products, focus on the promotion and expansion of the existing distribution networks in terms of number of stores and coverage, and explore new sales platforms and channels to broaden its customer base.

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

Looking forward to the second half of 2014, we will continue to adhere to our established business strategy of strengthening the internal management process, implementing the cost effective strategies, improving capital utilization, optimizing the resource allocation and product mix, so that to enhance the Group's operational efficiency. We will strive to increase our competitiveness as well as gaining market share in all business segments so as to generate the best return to our shareholders.

# Report on Review of Condensed Consolidated Financial Statements



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

TO THE BOARD OF DIRECTORS OF  
**CHINA MINING RESOURCES GROUP LIMITED**

中國礦業資源集團有限公司

*(incorporated in Bermuda with limited liability)*

## **INTRODUCTION**

We have reviewed the condensed consolidated financial statements of China Mining Resources Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 12 to 49, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Report on Review of Condensed Consolidated Financial Statements



## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

## **EMPHASIS OF MATTERS**

Without qualifying our opinion, we draw attention to Note 1(b) to the condensed consolidated financial statements, which indicates that the Group had incurred loss of approximately HK\$19,617,000 for the six months ended 30 June 2014 and, as of that date, the Group's current liabilities exceeds its current assets by approximately HK\$45,787,000 and the Group had net liabilities of approximately HK\$14,707,000. These conditions along with other matters set forth in Note 1(b) to the condensed consolidated financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group's ability to continue as a going concern is highly dependent on the ongoing availability of finance to the Group, including from the substantial shareholder of the Company. The condensed consolidated financial statements do not include any adjustments that may be necessary should the Group fail to finance its future working capital and financial requirements. We consider that adequate disclosures have been made.

## **ZHONGLEI (HK) CPA Company Limited**

*Certified Public Accountants (Practising)*

**Chan Mei Mei**

Practising Certificate Number: P05256

Suites 313-316, 3/F., Shui On Centre  
6-8 Harbour Road  
Wan Chai  
Hong Kong

26 August 2014

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
Notes		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	107,188	90,046
Cost of sales		<u>(59,045)</u>	<u>(40,484)</u>
Gross profit		48,143	49,562
Other income		6,370	4,562
Other gains and losses		634	(9,574)
Selling and distribution expenses		(22,674)	(20,234)
Administrative expenses		(38,950)	(31,770)
Finance costs	4	<u>(13,140)</u>	<u>(11,394)</u>
Loss before tax		(19,617)	(18,848)
Income tax expenses	5	<u>—</u>	<u>(2,051)</u>
Loss for the period	6	<u>(19,617)</u>	<u>(20,899)</u>
<b>Other comprehensive (expense) income</b>			
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Exchange differences arising on translation of financial statements of foreign operations		(475)	3,511
Fair value gain on available-for-sale investments, net		1,752	6,860
Actuarial loss on defined benefit pension plans		<u>(4,387)</u>	<u>(896)</u>
Other comprehensive (expense) income for the period, net of income tax		<u>(3,110)</u>	<u>9,475</u>
Total comprehensive expense for the period		<u>(22,727)</u>	<u>(11,424)</u>

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

## Six months ended 30 June

	Note	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the period attributable to:			
Owners of the Company		(18,769)	(19,094)
Non-controlling interests		(848)	(1,805)
		<u>(19,617)</u>	<u>(20,899)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(20,716)	(10,264)
Non-controlling interests		(2,011)	(1,160)
		<u>(22,727)</u>	<u>(11,424)</u>
Loss per share:			
Basic	8	<u>(0.21) cent</u>	<u>(0.21) cent</u>
Diluted		<u>N/A</u>	<u>N/A</u>

# Condensed Consolidated Statement of Financial Position

At 30 June 2014

		30 June 2014	31 December 2013
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>Non-current Assets</b>			
Property, plant and equipment	9	88,684	93,623
Prepaid lease payments			
— non-current portion		30,240	31,174
Exploration and evaluation assets		—	—
Goodwill	10	—	—
Other intangible assets	10	96,481	100,226
Biological assets	11	9,504	10,219
Available-for-sale investments	12	71,875	69,819
Other non-current financial assets	13	3,776	7,610
		<u>300,560</u>	<u>312,671</u>
<b>Current Assets</b>			
Inventories		179,022	174,514
Trade and other receivables	14	144,489	135,311
Prepaid lease payments		546	549
Short-term loan and loan interest receivables	15	—	—
Bank balances and cash		131,531	118,555
		<u>455,588</u>	<u>428,929</u>
<b>Current Liabilities</b>			
Trade and other payables	16	303,921	271,787
Bank borrowings	17	128,398	107,806
Other borrowings	17	2,339	2,357
Provisions	18	11,508	11,630
Tax liabilities		55,209	56,943
		<u>501,375</u>	<u>450,523</u>
<b>Net Current Liabilities</b>		<u>(45,787)</u>	<u>(21,594)</u>
<b>Total Assets less Current Liabilities</b>		<u>254,773</u>	<u>291,077</u>

# Condensed Consolidated Statement of Financial Position

At 30 June 2014

		<b>30 June 2014</b>	31 December 2013
	<i>Notes</i>	<b>HK\$'000 (Unaudited)</b>	<i>HK\$'000 (Audited)</i>
<b>Non-current Liabilities</b>			
Deferred income	19	108,096	107,487
Other borrowings — non-current portion	17	4,320	4,353
Provisions — non-current portion	18	82,291	76,031
Other long-term payables	20	21,410	42,061
Non-redeemable convertible preference shares	21	53,363	53,125
		<u>269,480</u>	<u>283,057</u>
<b>Net (Liabilities) Assets</b>		<u>(14,707)</u>	<u>8,020</u>
<b>Capital and Reserves</b>			
Share capital	22	913,878	913,878
Share premium and reserves		<u>(1,083,646)</u>	<u>(1,062,762)</u>
Equity attributable to owners of the Company		(169,768)	(148,884)
Non-controlling interests		<u>155,061</u>	<u>156,904</u>
<b>Total (Deficits) Equity</b>		<u>(14,707)</u>	<u>8,020</u>

The condensed consolidated financial statements on pages 12 to 49 were approved and authorised for issue by the Board of Directors on 26 August 2014 and are signed on its behalf by:

**Wang Hui**  
*Director*

**Fang Yi Quan**  
*Director*



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Non-redeemable convertible preference shares	Statutory surplus reserve	Capital and other reserve	Share options reserve	Investment revaluation reserve	Translation reserve	Actuarial reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000 (Note 21)	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note 25)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013 (Audited)	913,878	3,192,267	684,321	105,086	64,011	75,839	–	266,982	(10,266)	(5,152,405)	139,713	187,918	327,631
Loss for the period	–	–	–	–	–	–	–	–	–	(19,094)	(19,094)	(1,805)	(20,899)
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	–	–	2,643	–	–	2,643	868	3,511
Fair value gain on available-for-sale investments	–	–	–	–	–	–	6,860	–	–	–	6,860	–	6,860
Actuarial loss on defined benefit pension plans (Note 18)	–	–	–	–	–	–	–	–	(673)	–	(673)	(223)	(896)
Other comprehensive income (expense) for the period	–	–	–	–	–	–	6,860	2,643	(673)	–	8,830	645	9,475
Total comprehensive income (expense) for the period	–	–	–	–	–	–	6,860	2,643	(673)	(19,094)	(10,264)	(1,160)	(11,424)
Recognition of equity-settled share-based payments	–	–	–	–	–	212	–	–	–	–	212	–	212
Transfer	–	–	–	308	–	–	–	–	–	(385)	(77)	77	–
At 30 June 2013 (Unaudited)	913,878	3,192,267	684,321	105,394	64,011	76,051	6,860	269,625	(10,939)	(5,171,884)	129,584	186,835	316,419

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company											Total	Non-controlling interests	Total
	Share capital	Share premium	Non-redeemable convertible preference shares	Statutory surplus reserve	Capital and other reserve	Share options reserve	Investment revaluation reserve	Translation reserve	Actuarial reserve	Accumulated losses				
	HK\$'000	HK\$'000	HK\$'000 (Note 21)	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note 25)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014 (Audited)	913,878	3,192,267	684,321	105,086	64,676	54,057	1,530	272,750	(6,483)	(5,430,966)	(148,884)	156,904	8,020	
Loss for the period	-	-	-	-	-	-	-	-	-	(18,769)	(18,769)	(848)	(19,617)	
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(405)	-	-	(405)	(70)	(475)	
Fair value gain on available-for-sale investments	-	-	-	-	-	-	1,752	-	-	-	1,752	-	1,752	
Actuarial loss on defined benefit pension plans (Note 18)	-	-	-	-	-	-	-	-	(3,294)	-	(3,294)	(1,093)	(4,387)	
Other comprehensive income (expense) for the period	-	-	-	-	-	-	1,752	(405)	(3,294)	-	(1,947)	(1,163)	(3,110)	
Total comprehensive income (expense) for the period	-	-	-	-	-	-	1,752	(405)	(3,294)	(18,769)	(20,716)	(2,011)	(22,727)	
Transfer	-	-	-	-	505	-	-	-	-	(673)	(168)	168	-	
At 30 June 2014 (Unaudited)	913,878	3,192,267	684,321	105,086	65,181	54,057	3,282	272,345	(9,777)	(5,450,408)	(169,768)	155,061	(14,707)	

Notes:

## (a) Statutory Surplus Reserve

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

## (b) Capital and Other Reserve

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

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>1,552</b>	<b>(32,705)</b>
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(4,153)	(26,115)
Purchases of other intangible assets	—	(25)
Other long-term advance	—	(3,760)
Refund from other non-current financial assets	3,805	—
Receipts regarding short-term loan and loan interest receivable	—	2,030
Interest received	996	3,399
Government grants received	3,082	23,236
Proceeds from disposal of property, plant and equipment	34	348
	<b>3,764</b>	<b>(887)</b>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	(39,131)	(68,932)
New bank borrowings raised	60,590	146,636
Interest paid	(8,458)	(7,256)
	<b>13,001</b>	<b>70,448</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>18,317</b>	<b>36,856</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>118,555</b>	<b>117,073</b>
Effect of foreign exchange rate changes, net	(5,341)	(9,165)
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE,</b> represented by bank balances and cash	<b>131,531</b>	<b>144,764</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014



## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

### (b) Basis of preparation of Condensed Consolidated Financial Statements

In preparing the condensed consolidated financial statements, the management has given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK\$19,617,000 for the six months ended 30 June 2014 and, as of that date, the Group’s current liabilities exceed its current assets by approximately HK\$45,787,000 and had net liabilities of approximately HK\$14,707,000.

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

- (a) The management has taken various cost control measures to tighten the costs of operations and reduce various general and administrative expenses;
- (b) The Group has been implementing various sales and marketing strategies to reduce the losses of the Group;

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014



## 1. BASIS OF PREPARATION (Continued)

### (b) Basis of preparation of Condensed Consolidated Financial Statements (Continued)

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain assets and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2013.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Interpretation 21	Levies

\* *IFRIC represents the International Financial Reporting Interpretations Committee*

The application of the above new interpretations and amendments to HKFRSs and HKASs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. SEGMENT INFORMATION

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

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

Tea products	—	production and sales of tea
Molybdenum	—	mining, processing and sales of molybdenum
Online video business (“iTV”)	—	online video broadcasting

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 3. SEGMENT INFORMATION (Continued)

### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

#### Six months ended 30 June 2014

	Tea products HK\$'000 (Unaudited)	Molybdenum HK\$'000 (Unaudited)	iTV HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>REVENUE</b>				
Segment revenue – external sales	55,773	51,415	–	107,188
<b>RESULTS</b>				
Segment (loss) profit	(2,372)	7,503	(1,731)	3,400
Unallocated corporate income				1,330
Unallocated corporate expenses				(11,207)
Finance costs				(13,140)
<b>Loss before tax</b>				<b>(19,617)</b>

#### Six months ended 30 June 2013

	Tea products HK\$'000 (Unaudited)	Molybdenum HK\$'000 (Unaudited)	iTV HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>REVENUE</b>				
Segment revenue – external sales	66,534	23,511	1	90,046
<b>RESULTS</b>				
Segment profit (loss)	10,327	2,399	(1,645)	11,081
Unallocated corporate income				486
Unallocated corporate expenses				(19,021)
Finance costs				(11,394)
<b>Loss before tax</b>				<b>(18,848)</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 3. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

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

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
<b>Segment assets</b>		
Tea products	288,484	266,941
Molybdenum	342,093	339,139
iTV	2,196	3,933
Unallocated assets	123,375	131,587
Total segment assets	756,148	741,600
<b>Segment liabilities</b>		
Tea products	167,739	139,287
Molybdenum	540,149	535,755
iTV	368	421
Unallocated liabilities	62,599	58,117
Total segment liabilities	770,855	733,580



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 3. SEGMENT INFORMATION (Continued)

### Other segment information

For the six months ended 30 June 2014

	Tea		iTV	Sub-total	Unallocated	Total
	Products	Molybdenum				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets excluding financial instruments	2,917	1,236	—	4,153	—	4,153
Depreciation of property, plant and equipment	2,620	3,176	93	5,889	251	6,140
Amortisation of prepaid lease payments	617	72	—	689	—	689
Amortisation of other intangible assets	185	468	—	653	—	653
Loss on disposal of property, plant and equipment	—	171	—	171	2	173
Reversal of impairment loss recognised in respect of trade and other receivables	(3,269)	—	—	(3,269)	—	(3,269)
Impairment loss recognised in respect of trade and other receivables	2,667	—	—	2,667	—	2,667
Impairment loss recognised in respect of inventories	22	—	—	22	—	22
Written-off of trade and other receivables	2,297	—	—	2,297	—	2,297
Impairment loss recognised in respect of other intangible assets	1,563	—	—	1,563	—	1,563
Gain on changes in fair value less costs to sell for biological assets	(4)	—	—	(4)	—	(4)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 3. SEGMENT INFORMATION (Continued)

### Other segment information (Continued)

For the six months ended 30 June 2013

	Tea		iTV	Sub-total	Unallocated	Total
	Products	Molybdenum				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets excluding financial instruments	10,976	19,661	–	30,637	15	30,652
Depreciation of property, plant and equipment	4,112	2,245	204	6,561	278	6,839
Amortisation of prepaid lease payments	607	71	–	678	–	678
Amortisation of other intangible assets	450	–	–	450	–	450
(Gain) loss on disposal of property, plant and equipment	(9)	211	(1)	201	–	201
Reversal of impairment loss recognised in respect of trade and other receivables	(1,866)	–	–	(1,866)	–	(1,866)
Impairment loss recognised in respect of trade and other receivables	1,097	–	–	1,097	–	1,097
Gain on changes in fair value less costs to sell for biological assets	(2,061)	–	–	(2,061)	–	(2,061)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 4. FINANCE COSTS

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Imputed interest expenses on long-term payables and provisions	4,444	3,934
Interest expenses on bank and other borrowings wholly repayable within five years	4,494	3,291
Effective interest expenses on non-redeemable convertible preference shares (Note 21)	4,202	4,169
	<u>13,140</u>	<u>11,394</u>

## 5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax	—	2,448
Deferred tax:		
Current period	—	(397)
	<u>—</u>	<u>2,051</u>

No provision for Hong Kong Profits Tax has been provided for both periods as the Group had no assessable profit arising in Hong Kong.

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 2008 onwards.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Directors' and chief executives' remuneration	4,616	4,313
Other staff's salaries, bonus and allowances	14,371	9,559
Other staff's contribution to retirement benefits schemes	549	1,009
Share-based payments expenses	—	212
	<hr/>	<hr/>
Total staff costs	19,536	15,093
	<hr/>	<hr/>
Auditor's remuneration — non-audit service	510	520
Amortisation of prepaid lease payments	689	678
Amortisation of other intangible assets	653	450
Costs of inventories recognised as an expense	57,481	40,484
Depreciation of property, plant and equipment	6,140	6,839
Government grants	(3,177)	(603)
Loss on disposal of property, plant and equipment	173	201
Interest income	(2,873)	(3,803)
Reversal of impairment loss recognised in respect of trade and other receivables	(3,269)	(1,866)
Impairment loss recognised in respect of inventories	22	—
Impairment loss recognised in respect of trade and other receivables	2,667	1,097
Written-off of trade and other receivables	2,297	—
Gain on changes in fair value less costs to sell for biological assets	(4)	(2,061)
Impairment loss recognised in respected of other intangible assets	1,563	—
	<hr/>	<hr/>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period, nor has any dividend been proposed since the end of the reporting period (for the six months ended 30 June 2013: Nil).

## 8. LOSS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share <i>(Note)</i>	<b>(18,769)</b>	(19,094)
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<i>'000</i>	<i>'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share <i>(Note)</i>	<b>9,138,782</b>	9,138,782

*Note:*

For the six months ended 30 June 2014 and 30 June 2013, diluted loss per share was not presented as the assumed exercise of share options and non-redeemable convertible preference shares during both periods has an anti-dilutive effect.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$395,000 (for the six month ended 30 June 2013: approximately HK\$549,000) set off with other payable of approximately HK\$188,000 and cash proceeds of approximately HK\$34,000 (for the six months ended 30 June 2013: approximately HK\$348,000), resulting in a loss on disposal of approximately HK\$173,000 (loss on disposal for the six months ended 30 June 2013: approximately HK\$201,000).

In addition, during the current interim period, the Group paid approximately HK\$4,153,000 (for the six months ended 30 June 2013: approximately HK\$30,627,000) for acquisition of property, plant and equipment in the PRC.

At 30 June 2014, certain of the Group's buildings with the aggregate carrying amount of approximately HK\$26,616,000 (31 December 2013: approximately HK\$27,690,000) were pledged as security for the Group's bank borrowings (Note 17).

## 10. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill		Other intangible assets							
			Mining right		Brand name		Forest use right		Total	
Six months ended	Year ended	Six months ended	Year ended	Six months ended	Year ended	Six months ended	Year ended	Six months ended	Year ended	
30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	
Carrying value at beginning of the period/year	–	88,295	82,820	108,936	8,166	35,781	9,240	9,300	100,226	154,017
Exchange realignment	–	–	(1,463)	6,976	(3)	3	(63)	308	(1,529)	7,287
Additions	–	–	–	–	–	159	–	–	–	159
Impairment loss recognised in profit and loss	–	(88,295)	–	(32,083)	–	(27,777)	(1,563)	–	(1,563)	(59,860)
Amortisation to profit or loss	–	–	(468)	(1,009)	–	–	(185)	(368)	(653)	(1,377)
Carrying value at end of the period/year	–	–	80,889	82,820	8,163	8,166	7,429	9,240	96,481	100,226

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 10. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

As at 30 June 2014, with reference to the valuation reports performed by the independent professional valuer not connected to the Group, the Directors determined that the carrying amounts of the other intangible assets exceed their recoverable amounts, as a result, impairment loss of approximately HK\$1,563,000 (31 December 2013: HK\$59,860,000) in respect of the other intangible assets have been recognised in the consolidated profit or loss and other comprehensive statements.

During the six months ended 30 June 2014, no impairment in respect of goodwill was recognised (for the year ended 31 December 2013: HK\$88,295,000) as the goodwill has been fully impaired during the year ended 31 December 2013.

## 11. BIOLOGICAL ASSETS

	<b>Tea Plantation</b> <i>HK\$'000</i>
At 1 January 2013 (Audited)	8,043
Exchange realignment	294
Agricultural product harvested during the year	(507)
Gain on changes in fair value less costs to sell	<u>2,389</u>
At 31 December 2013 and 1 January 2014 (Audited)	10,219
Exchange realignment	(75)
Agricultural product harvested during the period	(644)
Gain on changes in fair value less costs to sell	<u>4</u>
<b>At 30 June 2014 (Unaudited)</b>	<u><b>9,504</b></u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 11. BIOLOGICAL ASSETS (Continued)

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

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

The fair value less costs to sell of tea plantation of approximately HK\$9,504,000 (31 December 2013: approximately HK\$10,219,000) is determined with reference to the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate of 13.22% (2013: 14.41%). For the estimation of the projected cash flows, the Directors had made reference to the existing tree resources, the historical growth rate of the tea trees and the economy in the PRC, and adopted a growth rate of approximately 3% (2013: 3%) for 5 years (2013: 5 years). The higher the growth rate of tea trees is, the higher the fair value of the biological assets is.

There were no changes to the valuation technique during the current interim period. Hence, a gain on changes in fair value less costs to sell of approximately HK\$4,000 (for the six months ended 30 June 2013: gain of approximately HK\$2,061,000) has been recognised in condensed consolidated statement of profit or loss and other comprehensive income.

The agricultural product amounting to approximately HK\$644,000 (for the six months ended 30 June 2013: approximately HK\$503,000) has been harvested during the current interim period.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 12. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2014 <i>HK\$'000</i> (Unaudited)	31 December 2013 <i>HK\$'000</i> (Audited)
Available-for-sale investments		
Equity securities listed in overseas stock exchange	<b>71,875</b>	69,819

## 13. OTHER NON-CURRENT FINANCIAL ASSETS

	30 June 2014 <i>HK\$'000</i> (Unaudited)	31 December 2013 <i>HK\$'000</i> (Audited)
The amounts comprise of:		
— Other long-term advances ( <i>Note</i> )	—	3,805
— Trade and other receivables — non-current portion ( <i>Note 14</i> )	<b>3,776</b>	3,805
	<b>3,776</b>	7,610

*Note:* During the year ended 31 December 2013, the Group participated in a small and medium enterprises fund scheme in Nanping City (南平市中小企業互助基金), which is governed by a committee composed of various regulatory departments and enterprises in the PRC, for the purpose of financing small and medium enterprises with temporary financial difficulties. The Group placed an advance of approximately HK\$3,805,000 (equivalent to RMB3,000,000) to the fund for the year ended 31 December 2013. This amount had been fully refunded during the six months ended 30 June 2014.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 14. TRADE AND OTHER RECEIVABLES

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade receivables	47,798	49,888
Less: Allowance for doubtful debts	(14,639)	(13,851)
	<u>33,159</u>	<u>36,037</u>
Other receivables	77,618	78,114
Less: Allowance for doubtful debts	(54,798)	(60,271)
	<u>22,820</u>	<u>17,843</u>
Bill receivables	12,563	13,887
Deposits and prepayments	21,119	12,206
Advance to suppliers (Note (a))	58,604	59,143
	<u>92,286</u>	<u>85,236</u>
Total trade and other receivables	<u>148,265</u>	<u>139,116</u>
Analysed for reporting purposes as:		
— Current assets	144,489	135,311
— Non-current assets included in other non-current financial assets (Note (b) and Note 13)	3,776	3,805
	<u>148,265</u>	<u>139,116</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014



## 14. TRADE AND OTHER RECEIVABLES (Continued)

*Notes:*

- (a) The amount represented advance payments to several suppliers for sourcing of goods from them. Out of which, amounting to approximately HK\$50,352,000 (for the year ended 31 December 2013: approximately HK\$50,732,000) represented the sourcing of teas from several suppliers which the goods will be delivered on or before May 2015. Prior to the delivery of teas to the Group, these suppliers will pay an interest at the rate of 11.152% (for the year ended 31 December 2013: 11.152%) on the outstanding balances to the Group. During the period ended 30 June 2014, interest income from these suppliers of approximately HK\$2,346,000 (equivalents to RMB1,859,000) (for the year ended 31 December 2013: HK\$5,583,000 (equivalent to RMB4,402,000)) were recognised by the Group as other income in the condensed consolidated statement of profit or loss and other comprehensive income.
  
- (b) Included in the Group's other receivables, an amount of approximately HK\$7,552,000 (equivalent to RMB6,000,000) represented the proceeds from the disposal of certain plant and equipment of the Group during the year ended 31 December 2013. Pursuant to the asset disposal agreement, an amount of approximately HK\$3,776,000 will be settled in September 2014 and the remaining amount of approximately HK\$3,776,000 will be settled in September 2015. Accordingly, an amount of approximately HK\$3,776,000 was reclassified as other non-current financial assets in the condensed consolidated statement of financial position at 30 June 2014 (31 December 2013: HK\$3,805,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 14. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the delivery date, which approximated the revenue recognition date, at the end of the reporting period:

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
0 – 30 days	5,472	3,621
31 – 60 days	902	2,289
61 – 90 days	1,071	1,417
Over 90 days	<u>25,714</u>	<u>28,710</u>
	<u><b>33,159</b></u>	<u>36,037</u>

## 15. SHORT-TERM LOAN AND LOAN INTEREST RECEIVABLES

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Loan receivables	15,220	15,220
Loan interest receivables	—	343
Less: Allowance for doubtful debts	<u>(15,220)</u>	<u>(15,563)</u>
	<u>—</u>	<u>—</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 15. SHORT-TERM LOAN AND LOAN INTEREST RECEIVABLES (Continued)

The short-term loan carries interest at 5% per annum, unsecured and matured on 30 July 2013. During the year ended 31 December 2013, the Group and the debtor mutually agreed to extend the repayment period for one more year to 30 July 2014 and all other terms of the loan remain unchanged. However, after considering the uncertainty of the financial status of the debtor in view of no repayment of the loan interest receivables and the debtor could not provide for any collateral to the Group, the Directors consider that the possibility to recover this short-term loan is remote and therefore, full impairment was recognised for the year ended 31 December 2013.

During the six months ended 30 June 2014, the Group signed a supplementary loan agreement with the debtor, in which the Group and the debtor mutually agreed to i) extend the repayment period to 19 March 2017 by four instalments; ii) waive the accrued interest receivable with approximately RMB343,000; and iii) change the loan to interest-free. However, the debtor have not made the first payment on March 2014 and therefore the Director has taken legal action to recover the short-term loan and loan interest receivables after period ended 30 June 2014.

## 16. TRADE AND OTHER PAYABLES

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade payables	35,292	15,151
Mining right payables (Note)	117,301	118,186
Other payables and accruals	172,738	180,511
	<u>325,331</u>	<u>313,848</u>
Analysed for reporting purposes as:		
– Current liabilities	303,921	271,787
– Non-current liabilities (classified as “other long-term payables” (Note 20))	21,410	42,061
	<u>325,331</u>	<u>313,848</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 16. TRADE AND OTHER PAYABLES (Continued)

Note: Mining right payables

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Analysed for reporting purposes as:		
— Current liabilities	95,891	76,125
— Non-current liabilities (classified as “other long-term payables” (Note 20))	<u>21,410</u>	<u>42,061</u>
	<u>117,301</u>	<u>118,186</u>

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

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0 — 90 days	27,073	6,473
91 — 180 days	1,838	4,169
181 — 365 days	2,014	660
Over 1 year	<u>4,367</u>	<u>3,849</u>
	<u>35,292</u>	<u>15,151</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 17. BANK AND OTHER BORROWINGS

### Bank Borrowings

	2013 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Secured bank borrowings, repayable on demand or within one year	<b>128,398</b>	107,806

During the current interim period, the Group obtained new bank borrowings amounting to approximately HK\$60,590,000 (year ended 31 December 2013: approximately HK\$163,611,000) and repaid the bank borrowings amounting to approximately HK\$39,131,000 (year ended 31 December 2013: approximately HK\$125,562,000). These new bank borrowings are secured, carry interest at variable market rate ranging from 6% to 6.6% (year ended 31 December 2013 variable market rate ranging from 6% to 6.6%) per annum and repayable within one year.

### Other Borrowings

	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)
The amounts comprise of:		
– Interest-free loan ( <i>Note (a)</i> )	<b>1,259</b>	1,268
– Interest bearing loan ( <i>Note (b)</i> )	<b>5,400</b>	5,442
	<b>6,659</b>	6,710
Analysed for reporting purposes as:		
– Current liabilities	<b>2,339</b>	2,357
– Non-current liabilities	<b>4,320</b>	4,353
	<b>6,659</b>	6,710

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 17. BANK AND OTHER BORROWINGS (Continued)

As at 30 June 2014, included in the Group's current liabilities of other borrowings is a loan with a principle amount of approximately HK\$1,259,000 (31 December 2013: approximately HK\$1,268,000) (30 June 2014 and 31 December 2013: equivalent to RMB1,000,000) was provided by the Industry Development Fund (工業發展基金) of the Harbin Finance Bureau in 1998. The amount is unsecured, interest-free and repayable on demand.

As at 30 June 2014, included in the Group's current liabilities and non-current liabilities of other borrowings is a loan with a principle amount of approximately HK\$5,400,000 (31 December 2013: approximately HK\$5,442,000) (30 June 2014 and 31 December 2013: equivalent to RMB4,290,000) was received from the Harbin Finance Bureau in 2007. The amount is unsecured, interest bearing with a fixed interest rate of 2.55% per annum and repayable by instalments from 2008 to 2022.

## 18. PROVISIONS

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

In addition to the provision of land reclamation and cavity refill costs, the Group also provides post-employment benefits to employees. The expected cost of providing these post-employment benefits is actuarially determined and recognised by using projected unit credit method, which involves a number of assumptions and estimates, including inflation rates, work injury rate, discount rate and employee's turnover ratio. In addition, the Group also provides cost of residence benefit to its employees and their families. The cost has been determined by the Directors based on their best estimation.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 18. PROVISIONS (Continued)

	Provision for land reclamation and cavity refill costs <i>HK\$'000</i>	Provision for post- employment benefits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013 (Audited)	57,295	22,375	79,670
Exchange realignment	1,998	743	2,741
Addition for the year	7,669	4,574	12,243
Utilisation of provision	(1,954)	—	(1,954)
Actuarial gain	—	(5,039)	(5,039)
<b>At 31 December 2013 and 1 January 2014 (Audited)</b>	<b>65,008</b>	<b>22,653</b>	<b>87,661</b>
Exchange realignment	(2,197)	(186)	(2,383)
Addition for the period	2,655	1,687	4,342
Utilisation of provision	(208)	—	(208)
Actuarial loss	—	4,387	4,387
<b>At 30 June 2014 (Unaudited)</b>	<b>65,258</b>	<b>28,541</b>	<b>93,799</b>
		<b>30 June 2014 <i>HK\$'000</i> (Unaudited)</b>	<b>31 December 2013 <i>HK\$'000</i> (Audited)</b>
Analysed for reporting purposes as:			
Current liabilities		<b>11,508</b>	11,630
Non-current liabilities		<b>82,291</b>	76,031
		<b>93,799</b>	87,661

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 19. DEFERRED INCOME

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

During the current interim period, government grants of approximately HK\$3,177,000 were recognised in profit or loss (for the six months ended 30 June 2013: approximately HK\$603,000).

## 20. OTHER LONG-TERM PAYABLES

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Mining rights payables — non-current portion	<u>21,410</u>	<u>42,061</u>

Other long-term payables comprised of mining rights payables, pursuant to mining right premium agreement in 2007 entered into between the Group and the relevant government authorities of the PRC in respect of the mining rights of Wudaoling Molybdenum mine amounting to approximately HK\$179,386,000.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 20. OTHER LONG-TERM PAYABLES (Continued)

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

As the management of the Group is in the negotiation with the relevant government authorities of the PRC in respect of the mining rights payables, the instalments payables for the years 2011, 2012, 2013 and 2014 had not been settled as at 30 June 2014.

In the opinion of the Directors, the Group would not expose to any penalty levy by the relevant government authority of the PRC due to the delay in settlement.

The carrying amounts of the mining right payables in respect of Wudaoling Molybdenum mine have been determined using a discount rate of 6.15% (31 December 2013: 6.40%) according to the lending rate of The People's Bank of China.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 21. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES

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

	Number of CPS	Equity component HK\$'000	Liability component HK\$'000	Total HK\$'000
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### At 30 June 2014 (Unaudited)

Issue of CPS during the year ended

31 December 2010

	<u>3,776,190,000</u>	<u>684,321</u>	<u>53,363</u>	<u>737,684</u>
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### At 31 December 2013 (Audited)

Issue of CPS during the year ended

31 December 2010

	<u>3,776,190,000</u>	<u>684,321</u>	<u>53,125</u>	<u>737,446</u>
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The non-redeemable convertible preference shares contain two components, liability and equity component. The equity element is presented in condensed consolidated statement of change in equity heading “Non-redeemable convertible preference shares”. The liability component represents the Group’s contractual obligation of interest payment to the holders of CPS. For the fair value of the liability component of the CPS at initial recognition, effective interest rate method is adopted in the valuation. The effective interest rate used in the valuation is 15.82% (31 December 2013: 15.82%).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 21. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES (Continued)

The principal terms of the CPS are set out below:

- (a) Holders of the CPS shall not be entitled to any dividend payment or any distribution (including the bonus issue) of the Company other than interest at the rate of 1% per annum on the issue price of HK\$0.21 per share (at date of entering into this agreement), amounting to approximately HK\$7,930,000 per annum, payable on the last day of every six months of the date of issue of the CPS. The CPS does not carry any voting right.
- (b) The CPS is not redeemable.
- (c) The holders of the CPS shall have the right to convert the CPS into ordinary shares at the conversion ratio of one CPS into one ordinary share.
- (d) The CPS shall rank equally among themselves. On a return of capital in liquidation or otherwise, the assets of the Company available for distribution among the members of the Company, holders of the CPS and the ordinary shares shall rank pari passu with each other.
- (e) The CPS is freely transferable.
- (f) The CPS has no maturity date.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 21. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES (Continued)

The movement of the liability component of the CPS for the six months ended 30 June 2014 is set out below:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
At the beginning of the period (Audited)	53,125	52,702
Interest charge ( <i>Note 4</i> )	4,202	8,353
Interest paid	<u>(3,964)</u>	<u>(7,930)</u>
At the end of the period (Unaudited)	<u>53,363</u>	<u>53,125</u>

## 22. SHARE CAPITAL

	Six months ended 30 June 2014		Year ended 31 December 2013	
	Number of shares '000 (Unaudited)	Nominal value HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Nominal value HK\$'000 (Audited)
Ordinary shares of HK\$0.1 each				
<b>Authorised:</b>				
At beginning and end of the period/year	<u>46,223,810</u>	<u>4,622,381</u>	<u>46,223,810</u>	<u>4,622,381</u>
<b>Issued and fully paid:</b>				
At beginning and end of the period/year	<u>9,138,782</u>	<u>913,878</u>	<u>9,138,782</u>	<u>913,878</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 23. FAIR VALUE MEASUREMENTS OF THE FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2014	31 December 2013		
Financial assets				
Listed equity securities classified as available-for-sale investments in the condensed consolidated statement of financial position	Asset- approximately <b>HK\$71,875,000</b>	Asset- approximately HK\$69,819,000	Level 1	Quoted bid prices in an active market

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 23. FAIR VALUE MEASUREMENTS OF THE FINANCIAL INSTRUMENTS

(Continued)

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

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

## 24. CAPITAL COMMITMENTS

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	6,994	14,892

## 25. SHARE OPTION SCHEME

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

There are no share options cancelled or exercised for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil).



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 25. SHARE OPTION SCHEME (Continued)

During the six months ended 30 June 2014, there are no share granted under the 2012 Option Scheme and no share-based payment has been recognised in profit or loss.

During the six months ended 30 June 2013, there are a total of 6,000,000 options were granted to certain Directors pursuant to the 2012 Option Scheme. In the opinion of the Directors, the estimated fair value of share options granted on 28 March 2013 is approximately HK\$212,000, which has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2013.

With reference to the valuation reports performed by BMI Appraisals Limited, the independent professional valuer, the estimate of the fair value of the share options granted is measured based on Binomial Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Option Pricing Model.

The following assumptions were used to calculate the fair values of share options:

### 28 March 2013

Grant date share price	HK\$0.0870
Exercise price	HK\$0.1084
Expected life	5 years
Expected volatility	56.94%
Dividend yield	Nil
Risk-free interest rate	0.52%

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

## 26. RELATED PARTY DISCLOSURES

Details of the balances with related parties are disclosed in the condensed consolidated statement of financial position on pages 14 and 15.

### Compensation of key management personnel

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

	Six month ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	4,427	4,142
Post-employment benefits	189	171
Share-based payments	—	212
	<u>4,616</u>	<u>4,525</u>

The remuneration of Directors and other key management are determined by the remuneration committee having regard to the financial performance of the Group, performance of individuals and market trends.

## 27. LITIGATION

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

As the Company has not obtained any interests in Fujian Yuansheng and is seeking legal advice in response to the Writ, in the opinion of the Directors, the possible of an outflow of resources embodying economic benefit is remote.

# Corporate Governance



The Company is committed to comply with its established best practice in corporate governance and is acting in line with those practices as set out in the annual report of the Company for the financial year ended 31 December 2013. The board of directors of the Company (the “Board”) believes that good corporate governance is crucial to enhance the performance of the Group and to safeguard the interests of the shareholders of the Company.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES**

The Company has complied with the code provisions (“Code Provision(s)”) of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) during the six months ended 30 June 2014, except for certain deviations as specified and explained below with considered reasons for such deviations.

1. Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same person.

Since the resignation of Dr. You Xian Sheng as the chairman and the executive director of the Company (“Director”) on 31 January 2014, the Company has not appointed a new chairman of the Board (the “Chairman”). Until the appointment of the new Chairman, the Board collectively focuses on the overall strategic planning and development of the Group and effective functioning of the Board.

Since the resignation of Mr. Chen Shou Wu as the chief executive officer of the Company (the “CEO”) and the executive Director on 1 March 2014, the Company has not appointed a new CEO. Until the appointment of the new CEO, the executive Directors, possessing extensive relevant industry knowledge, collectively oversee the day-to-day management of the business and operations of the Group.

# Corporate Governance



The Board believes that this arrangement still enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

The Board will review the current situation from time to time and shall make necessary arrangements when the Board considers appropriate.

2. Under Code Provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting. Since the new Chairman has not been appointed following the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014, Mr. Wang Hui, the executive Director, has been elected by other Directors present to act as the chairman of the annual general meeting of the Company held on 30 May 2014 in accordance with the Bye-laws of the Company.
3. Following the resignation of Mr. Lin Xiang Min as an independent non-executive Director on 31 January 2014, the Company has not complied with the requirements of the Listing Rules as follows:
  - a. Rule 3.10(1) of the Listing Rules (i.e. having at least three independent non-executive directors); and
  - b. Rule 3.21 of the Listing Rules (i.e. the audit committee must comprise a minimum of three members).

Subsequent to the appointment of Mr. Ngai Sai Chuen as an independent non-executive Director on 1 March 2014, the above rules have been duly complied with.

## **COMPLIANCE WITH THE MODEL CODE FOR 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 of the Listing Rules. Upon specific enquiries, all Directors confirmed they had complied with the required standard set out in the Model Code during the six months ended 30 June 2014.

# Corporate Governance



## **BOARD OF DIRECTORS**

The Board is responsible for the formulation of the Group's business strategies and management objective, supervision of the management and evaluation of the effectiveness of management strategies. Implementation of strategies and day-to-day operations are delegated to the management. In order to better understand the respective accountabilities and contributions of the Board and management, the Company has adopted a written terms of reference specifying a schedule of matters which should be reserved to the Board and which should be delegated to management.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive Directors. They are responsible for ensuring the quality and integrity of internal control, conducting review of the Group's accounting principles and practices, risk management and the Group's interim and annual accounts.

## **REMUNERATION COMMITTEE**

The Remuneration Committee comprises one executive Director and three independent non-executive Directors. The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy, remuneration packages for the Directors and members of the senior management and on the establishment of a formal and transparent process for approving such remuneration policy.

## **NOMINATION COMMITTEE**

The Nomination Committee comprises three independent non-executive Directors. The principal responsibilities of the Nomination Committee are to lead the process for the appointments of the member of the Board, and to identify and nominate suitable candidates for appointment to the Board and make recommendations to the Board.

# Disclosure of Interests and Other Information

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

As at 30 June 2014, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company were as follows:

### **Interests in underlying shares of the Company – share options**

<b>Name</b>	<b>Number of share options</b>	<b>% of total issued ordinary shares of the Company</b>
<b><i>Directors</i></b>		
Wang Hui	50,000,000	0.55%
Fang Yi Quan	13,000,000	0.14%
Chong Cha Hwa	6,000,000	0.07%
Chu Kang Nam	6,000,000	0.07%
<b><i>Chief executives</i></b>		
Yin Guangyuan	50,000,000	0.55%
Qiao Hongbo	12,000,000	0.13%
Qu Yanchun	12,000,000	0.13%

# Disclosure of Interests and Other Information



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

Save as disclosed above, as at 30 June 2014, none of the directors and chief executives of the Company or their respective associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Other than as disclosed in "Share Option Schemes" below, at no time during the period 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 debentures of, the Company or any other body corporate.

## **INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS**

So far as is known to any director or chief executive of the Company, as at 30 June 2014, persons (other than directors or chief executives of the Company as disclosed herein) who had interests or short positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

# Disclosure of Interests and Other Information

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

### Long position in shares of the Company

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

#### Notes:

1. The percentages are calculated based on the total number of ordinary shares and non-redeemable convertible preference shares (as appropriate) of the Company in issue as at 30 June 2014, which were 9,138,782,211 and 3,776,190,000 respectively.
2. These ordinary and non-redeemable convertible preference shares are held by Double Joy Enterprise Limited which is 100% beneficially owned by Mr. Wong Chiu Fung. Both ordinary and non-redeemable convertible preference shares were allotted and issued to Double Joy Enterprise Limited on 14 December 2010 pursuant to a sale and purchase agreement dated 2 October 2010 entered into among Famous Class Limited, a wholly-owned subsidiary of the Company, Ms. Ho Ping Tanya, Double Joy Enterprise Limited, Skypro Holdings Limited and Mr. Wong Chiu Fung in relation to the acquisition of an aggregate of 70 shares of Year Joy Investments Limited, representing 70% of the total issued share capital of Year Joy Investments Limited, by Famous Class Limited (the "Agreement").
3. The non-redeemable convertible preference shares were allotted and issued to Ms. Ho Ping Tanya on 14 December 2010 pursuant to the Agreement.



# Disclosure of Interests and Other Information

## **INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS** (CONTINUED)

Save as disclosed above, the Company had not been notified of any interests or short positions in the shares and underlying shares of equity derivatives of the Company as required to be recorded in the register under section 336 of the SFO as at 30 June 2014.

## **SHARE OPTION SCHEMES**

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

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

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

# Disclosure of Interests and Other Information

## SHARE OPTION SCHEMES (CONTINUED)

3. As at 26 August 2014, the total number of ordinary shares of HK\$0.10 each in the capital of the Company (“Shares”) available for issue under the New Share Option Scheme was 913,878,221 representing approximately 10% of the issued ordinary share capital of the Company.
4. Unless otherwise approved by shareholders of the Company in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme to each participant in any 12-month period must not exceed 1% (except for substantial shareholders, as defined in the Listing Rules, or independent non-executive director of the Company, or any of their respective associates, as defined in the Listing Rules, must not exceed 0.1%) of the issued ordinary share capital of the Company from time to time.
5. An option shall be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee, provided that no option shall be exercisable later than 10 years after its date of grant.
6. An option shall be accepted by a participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within 30 days from the date of the offer of grant of the option.
7. The subscription price for Shares under the New Share Option Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Board, but shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange’s daily quotations on the date of grant which must be a business day, (ii) the average closing price of Shares as stated in the Stock Exchange’s daily quotations for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.
8. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 25 May 2012.

# Disclosure of Interests and Other Information

## SHARE OPTION SCHEMES (CONTINUED)

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the New Share Option Scheme for the period ended 30 June 2014 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at 1 January 2014	No. of options granted during the period	No. of options cancelled during the period	No. of shares acquired on exercise of options during the period	No. of options outstanding at 30 June 2014	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share option granted in 2013										
<b>Directors</b>										
Fang Yi Quan	28 March 2013	(Note 1)	3,000,000	–	–	–	3,000,000	HK\$0.1084	HK\$0.1084	–
Chong Cha Hwa	28 March 2013	(Note 1)	3,000,000	–	–	–	3,000,000	HK\$0.1084	HK\$0.1084	–
			<u>6,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,000,000</u>			
<b>Directors</b>										
Wang Hui	11 November 2013	(Note 2)	35,000,000	–	–	–	35,000,000	HK\$0.1000	HK\$0.1000	–
Fang Yi Quan	11 November 2013	(Note 2)	10,000,000	–	–	–	10,000,000	HK\$0.1000	HK\$0.1000	–
Chong Cha Hwa	11 November 2013	(Note 2)	3,000,000	–	–	–	3,000,000	HK\$0.1000	HK\$0.1000	–
Chu Kang Nam	11 November 2013	(Note 2)	3,000,000	–	–	–	3,000,000	HK\$0.1000	HK\$0.1000	–
			<u>51,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>51,000,000</u>			
<b>Chief executives</b>										
Yin Guangyuan	11 November 2013	(Note 2)	35,000,000	–	–	–	35,000,000	HK\$0.1000	HK\$0.1000	–
Qiao Hongbo	11 November 2013	(Note 2)	10,000,000	–	–	–	10,000,000	HK\$0.1000	HK\$0.1000	–
Qu Yanchun	11 November 2013	(Note 2)	10,000,000	–	–	–	10,000,000	HK\$0.1000	HK\$0.1000	–
			<u>55,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>55,000,000</u>			
<b>Employee</b>	11 November 2013	(Note 2)	<u>26,600,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>26,600,000</u>	HK\$0.1000	HK\$0.1000	–
<b>Former directors</b> (Note 5)	11 November 2013	(Note 2)	<u>98,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>98,000,000</u>	HK\$0.1000	HK\$0.1000	–
<b>Other</b> (Note 6)	11 November 2013	(Note 2)	<u>30,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>30,000,000</u>	HK\$0.1000	HK\$0.1000	–
			<u>260,600,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>260,600,000</u>			
			<u>266,600,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>266,600,000</u>			

# Disclosure of Interests and Other Information

## SHARE OPTION SCHEMES (CONTINUED)

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the Old Share Option Scheme for the period ended 30 June 2014 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at 1 January 2014	No. of options granted during the period	No. of options cancelled during the period	No. of shares acquired on exercise of options during the period	No. of options outstanding at 30 June 2014	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
									HK\$0.208	HK\$0.208
Share option granted in 2010										
<b>Directors</b>										
Wang Hui	29 June 2010	(Note 3)	5,000,000	-	-	-	5,000,000	HK\$0.208	HK\$0.208	-
Chu Kang Nam	29 June 2010	(Note 3)	2,000,000	-	-	-	2,000,000	HK\$0.208	HK\$0.208	-
			<u>7,000,000</u>				<u>7,000,000</u>			
<b>Chief executives</b>										
Yin Guangyuan	29 June 2010	(Note 3)	5,000,000	-	-	-	5,000,000	HK\$0.208	HK\$0.208	-
Qiao Hongbo	29 June 2010	(Note 3)	2,000,000	-	-	-	2,000,000	HK\$0.208	HK\$0.208	-
Qu Yanchun	29 June 2010	(Note 3)	2,000,000	-	-	-	2,000,000	HK\$0.208	HK\$0.208	-
			<u>9,000,000</u>				<u>9,000,000</u>			
<b>Employee</b>	29 June 2010	(Note 3)	<u>33,400,000</u>	-	-	-	<u>33,400,000</u>	HK\$0.208	HK\$0.208	-
<b>Former directors (Note 7)</b>	29 June 2010	(Note 3)	<u>78,000,000</u>	-	-	-	<u>78,000,000</u>	HK\$0.208	HK\$0.208	-
			<u>127,400,000</u>	-	-	-	<u>127,400,000</u>			

# Disclosure of Interests and Other Information

## SHARE OPTION SCHEMES (CONTINUED)

Name	Date granted	Period during which options are exercisable	No. of options outstanding at 1 January 2014	No. of options granted during the period	No. of options cancelled during the period	No. of shares acquired on exercise of options during the period	No. of options outstanding at the 30 June 2014	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share option granted in 2011										
<i>Directors</i>										
Wang Hui	30 August 2011	(Note 4)	10,000,000	—	—	—	10,000,000	HK\$0.161	HK\$0.161	—
Chu Kang Nam	30 August 2011	(Note 4)	1,000,000	—	—	—	1,000,000	HK\$0.161	HK\$0.161	—
			<u>11,000,000</u>				<u>11,000,000</u>			
<i>Chief executive</i>										
Yin Guangyuan	30 August 2011	(Note 4)	10,000,000	—	—	—	10,000,000	HK\$0.161	HK\$0.161	—
<i>Employee</i>										
	30 August 2011	(Note 4)	44,300,000	—	—	—	44,300,000	HK\$0.161	HK\$0.161	—
<i>Former directors (Note 8)</i>										
	30 August 2011	(Note 4)	94,000,000	—	—	—	94,000,000	HK\$0.161	HK\$0.161	—
<i>Others (Note 9)</i>										
	30 August 2011	(Note 4)	210,000,000	—	—	—	210,000,000	HK\$0.161	HK\$0.161	—
			<u>369,300,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>369,300,000</u>			

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

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

# Disclosure of Interests and Other Information



## **SHARE OPTION SCHEMES (CONTINUED)**

*Notes:*

1. Exercisable from 28 March 2013 to 27 March 2018.
2. Exercisable from 11 November 2013 to 10 November 2018.
3. Exercisable from 29 June 2010 to 28 June 2015.
4. Exercisable from 30 August 2011 to 29 August 2016.
5. 98,000,000 share options were granted to four former directors and the former directors were resigned as directors of the Company in 2014.
6. 30,000,000 share options were granted to a consulting company of the Company.
7.
  - (i) 6,000,000 share options were granted to three former directors and the former directors were resigned as directors of the Company in 2011.
  - (ii) 72,000,000 share options were granted to four former directors and the former directors were resigned as directors of the Company in 2014.
8.
  - (i) 3,000,000 share options were granted to three former directors and the former directors were resigned as directors of the Company in 2011.
  - (ii) 91,000,000 share options were granted to four former directors and the former directors were resigned as directors of the Company in 2014.
9. 210,000,000 share options were granted to the consultancy companies of the Group.

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

The Company has not redeemed any of its securities during the six months ended 30 June 2014. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the six months ended 30 June 2014.

## **AUDIT COMMITTEE**

The Audit Committee and management have reviewed the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2014.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014.

# Disclosure of Interests and Other Information



## **CHANGE IN INFORMATION OF DIRECTORS**

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' information since the date of the 2013 annual report until the date of this interim report are as follows:

1. Mr. Chong Cha Hwa, the independent non-executive Director, was appointed as the chairman and the chief executive officer of Sing Pao Media Enterprises Limited (Stock Code: 8010), a company listed on The Growth Enterprise Market of the Stock Exchange, on 7 April 2014.
2. Pursuant to a supplemental letter dated 30 May 2014, Mr. Wang Hui, the executive Director, would be entitled to an annual remuneration of HK\$840,000 and RMB480,000 with effect from 1 June 2014.
3. Pursuant to a supplemental letter dated 30 May 2014, Mr. Fang Yi Quan, the executive Director, would be entitled to an annual remuneration of HK\$720,000 with effect from 1 June 2014.

By Order of the Board

**China Mining Resources Group Limited**

**Wang Hui**

*Executive Director*

Hong Kong, 26 August 2014