

# 2017

Annual Report



**綠科科技**  
Greentech

**Greentech Technology International Limited**  
綠科科技國際有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 00195)

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. LI Dong (*Chairman*) (appointed on 15 August 2017)  
 Mr. NIE Dong (*Chief Executive Officer*)  
 Mr. CHEUNG Wai Kuen  
 Mr. WANG Chuanhu  
 Dr. SHI Simon Hao (resigned on 30 September 2017)  
 Ms. XIE Yue (appointed on 15 August 2017)

### Non-executive Director

Tan Sri Dato' Koo Yuen Kim P.S.M., D.P.T.J. J.P.  
 (appointed on 20 March 2018)

### Independent Non-executive Directors

Mr. CHI Chi Hung, Kenneth  
 Mr. DENG Shichuan (resigned on 3 December 2017)  
 Mr. James MUNN (removed on 19 January 2018)  
 Mr. ZENG Jin (appointed on 1 March 2018)

## COMPANY SECRETARY

Mr. WONG Tak Shing

## AUTHORISED REPRESENTATIVES

Mr. NIE Dong  
 Mr. WONG Tak Shing

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
 Bank of China (Hong Kong) Limited

## AUDITOR

Deloitte Touche Tohmatsu

Note:

- The website address of the Company has been changed from "www.lsea-resources.com" to "www.green-technology.com.hk" with effect from 1 December 2017.

## REGISTERED OFFICE

Cricket Square  
 Hutchins Drive  
 P.O. Box 2681  
 Grand Cayman KY1-1111  
 Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite No. 1B on 9/F, Tower 1  
 China Hong Kong City  
 33 Canton Road  
 Tsim Sha Tsui  
 Kowloon, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited  
 Royal Bank House — 3rd Floor  
 24 Shedden Road  
 P.O. Box 1586  
 Grand Cayman KY1-1110  
 Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## STOCK CODE

00195

## COMPANY WEBSITE

[www.green-technology.com.hk](http://www.green-technology.com.hk)<sup>1</sup>

*Dear Shareholders,*

On behalf of the Board (“Board”) of Directors (“Directors”), I hereby present the annual report of Greentech Technology International Limited (formerly known as L’sea Resources International Holdings Limited) (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2017.

The total production volume of tin metal of the Renison underground mine in 2017 was 7,083 tonnes (2016: 6,314 tonnes), an increase of approximately 12.2% year-on-year. The Group, having 50% interest in the Renison underground mine, is entitled to 3,542 tonnes of tin metal (2016: 3,157 tonnes) available for sale.

For the year ended 31 December 2017, the Group recorded a turnover of HK\$428,938,000, increased by 13.6% as compared with last year. The annual gross profit reached HK\$52,275,000 (with gross profit margin of approximately 12.2%) compared with last year’s gross profit of HK\$44,865,000 (with gross profit margin of approximately 11.9%), which was mainly attributable to the increase in sales volume during the year (from 3,053 tonnes to 3,238 tonnes). The Group’s audited consolidated profit attributable to the Company’s shareholders for the year ended 31 December 2017 amounted to HK\$25,402,000 (2016: profit of HK\$84,119,000). The significant decrease was mainly due to a reversal of impairment loss recognised on property, plant and equipment and exploration and evaluation assets of approximately HK\$54,674,000 during the year, which was less than that of approximately HK\$170,421,000 in 2016.

The Renison underground mine continued exploration in 2017 to discover potential tin resources and reserves. When comparing its estimates of mineral resources and reserves as at 31 December 2017 and 31 December 2016 in the mine’s estimation reports, the total mineral resources of the Renison underground mine increased by 30% year-on-year (from 11,531,000 tonnes to 14,974,000 tonnes) and the total ore reserves increased by 20% year-on-year (from 5,691,000 tonnes to 6,821,000 tonnes). Abundant amount of resources and reserves will provide a solid base for production expansion.

For the construction and installation of a new crushing and ore sorting facility, it is expected to be completed and tested in May 2018. In the second half of 2018, the new facility will commence operation. Then, the processing unit cost per tonne of metal produced will be reduced, the metal production will be increased and the resource utilization will be improved.

Looking to 2018, the tin metals supply is not expected to increase since the global new additional tin production is limited and the grading is decreased. According to the data from International Tin Research Institute, the global tin consumption was steady in 2017, it is estimated that tin metal demand in 2018 will increase by 2%. In general, the tin metal market is still in good trend, the supply will be stable or slightly decrease while the demand maintains a 2% increase. The tin price has a room for upward trend.

The Renison underground mine has rich resources and reserves. We remain positive on the long-term development of the tin mining industry. We will keep enhancing and improving the operation management and production efficiency with our partner so as to bring positive contribution to the Group.

On behalf of the Board, I would like to express our gratitude to management, staff of all levels for their dedication and contribution in the past year. More importantly, I would like to further express our sincere appreciation to our customers, suppliers, business partners and shareholders for their continuous support.

**Li Dong**  
*Chairman*

# Management Discussion and Analysis

## MARKET REVIEW

The annual average tin cash settlement price of London Metal Exchange (LME) maintained at USD20,085 per tonne for the year ended 31 December 2017 (2016: USD17,998 per tonne), representing a year-on-year rise of 11.6%.

## BUSINESS REVIEW

The Group's performance has been mainly affected by tin price, Australian dollars ("AUD") exchange rate and production efficiency.

The total production volume of tin metal of the Renison underground mine in 2017 was 7,083 tonnes (2016: 6,314 tonnes), representing an increase of approximately 12.2% year-on-year. The Group, having 50% interest in the Renison underground mine, is entitled to 3,542 tonnes of tin metal (2016: 3,157 tonnes) available for sale.

For the year ended 31 December 2017, the Group recorded a turnover of HK\$428,938,000, increased by 13.6% as compared with last year. The annual gross profit reached HK\$52,275,000 (with gross profit margin of approximately 12.2%) compared with last year's gross profit of HK\$44,865,000 (with gross profit margin of approximately 11.9%), which was mainly attributable to the increase in sales volume during the year (from 3,053 tonnes to 3,238 tonnes). The Group's audited consolidated profit attributable to the Company's shareholders for the year ended 31 December 2017 amounted to HK\$25,402,000 (2016: profit of HK\$84,119,000). The significant decrease was mainly due to a reversal of impairment loss recognised on property, plant and equipment and exploration and evaluation assets of approximately HK\$54,674,000 during the year, which was less than that of approximately HK\$170,421,000 in 2016.

The Renison underground mine continued exploration in 2017 to discover potential tin resources and reserves. When comparing its estimates of mineral resources and reserves as at 31 December 2017 and 31 December 2016 in the mine's estimation reports, the total mineral resources of the Renison underground mine increased by 30% year-on-year (from 11,531,000 tonnes to 14,974,000 tonnes) and the total ore reserves increased by 20% year-on-year (from 5,691,000 tonnes to 6,821,000 tonnes). Abundant amount of resources and reserves will provide a solid base for production expansion.

## PROSPECT

Looking to 2018, the tin metals supply is not expected to increase since the global new additional tin production is limited and the grading decreased. According to the data from International Tin Research Institute, the global tin consumption was steady in 2017, it is estimated that tin metal demand will increase by 2% in 2018. In general, the tin metal market is still in good trend, the supply will be stable or slightly decrease while the demand maintains a 2% increase. The tin price has a room for upward trend.

The Renison underground mine has rich resources and reserves. We remain positive on the long-term development of the tin mining industry. We will keep enhancing and improving the operation management and production efficiency with our partner so as to bring positive contribution to the Group.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible miner, the Group is committed to protecting the environment. Apart from complying with relevant laws and regulations, we also developed an Environmental Management System and set up the environmental commitments, in relation to discharges into air and water, waste management and rehabilitation plan, to minimise our environmental footprints. An environmental review is conducted annually to review the situation of the Renison mine and monitor the progress of various environmental commitments for continuous improvement.

The Group also strives to reduce the use of energy, and thereby reduce greenhouse gas emissions within its operation. At our office in Hong Kong, we implemented green office practices such as reminding our staff to turn off all electrical appliances before leaving the office. The Group will continue to look for opportunities to reduce the energy used on-site and at the offices.

For more details, please refer to the Environmental, Social and Governance Report for the year 2017 issued by the Company.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2017, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

## RELATIONSHIPS WITH STAKEHOLDERS

The Group maintains a good relationship with its employees, customers and suppliers:

**Employees:** Understanding the importance of our employees, and strive to maintain the talent through provision of fair and competitive remuneration package, safe working environment and individual development support.

**Customers:** Maintaining a good relationship with its sole customer, Yunnan Tin Australia TDK Resources Pty Limited ("YTATR"), and has signed a 3-year contract for the sales of tin and copper concentrate in the financial year of 2016.

**Suppliers:** Maintaining a long-term relationship with its existing suppliers. New suppliers are engaged in case of the goods and services cannot be obtained from existing suppliers or significant advantage (e.g. cost or quality) is offered by the new suppliers.

For more details, please refer to the Environmental, Social and Governance Report for the year 2017 issued by the Company.

## KEY RISKS AND UNCERTAINTIES

The Group's financial conditions, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but can turn out to be material in the future.

### Market Risks

Market risk is the risk that adversely affects profitability or ability to meet business objectives arising from the movement in market prices, such as tin metal price, copper metal price and exchange rate. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

### Foreign Exchange Rate Risks

As the Group's assets and liabilities were mainly denominated in Australian Dollars, in view of the potential fluctuations in the Australian Dollars exchange rate, the Group will continue to closely monitor the exposure and take appropriate actions when necessary.

### Business Risks

Performance of the Group's principal activities will be affected by various factors, including but not limited to economic conditions, unforeseeable rock burst events at the Renison underground mine and the metal content of the ore, and the effect of such factors may not be mitigated even when the appropriate preventive or corrective measures have been taken in response to the various events.

## Management Discussion and Analysis (Continued)

### Joint Venture Partner Risks

The principal activities of the Group are conducted through joint venture in which the Group shares control with the joint venture partner. There is no assurance that the joint venture partner will continue its relationship with the Group in the future or its goals or strategies will remain in line with the Group. The joint venture partner may have their own business interests or goals which are different from the Group. They may experience financial and other difficulties or may be unable to fulfill their obligations under the joint venture which may thereby affect the Group's business and operations.

## FINANCIAL REVIEW

### Revenue

The Group's audited consolidated revenue for the year ended 31 December 2017 amounted to approximately HK\$428,938,000 (2016: HK\$377,628,000), representing an increase of 13.6% from that of last year. The increase in the Group's revenue was due to an increase in total production volume of tin metal and tin price during the year.

### Cost of sales

Cost of sales mainly included direct material costs, direct labour costs and manufacturing overhead absorbed during the production process of our products. It was approximately HK\$376,663,000 for the year ended 31 December 2017 (2016: HK\$332,763,000), representing 87.8% of the revenue recorded in the corresponding year (2016: 88.1%). The lower cost of sales to revenue ratio for the year ended 31 December 2017 was due to the efforts by BMTJV's mining team in improving the productivity and efficiency of the Rension underground mine.

### Gross profit

The Group had a gross profit of approximately HK\$52,275,000 (2016: HK\$44,865,000) with gross profit margin of 12.2% for the year ended 31 December 2017 (2016: 11.9%).

### Administrative expenses

Administrative expenses, which represented approximately 7.2% of the Group's revenue, decreased by approximately 27.1% from HK\$42,650,000 for the year ended 31 December 2016 to approximately HK\$31,080,000 for the year ended 31 December 2017.

### Finance costs

Finance costs represented 3.3% of the Group's revenue in this year, increased from HK\$10,420,000 for the year ended 31 December 2016 to HK\$14,195,000 for the year ended 31 December 2017. Such increase was mainly due to increase in interest on other borrowing.

### Profit for the year

The Group's audited consolidated profit attributable to the Company's shareholders for the year ended 31 December 2017 amounted to HK\$25,402,000 (2016: HK\$84,119,000). Decrease in profit was mainly due to a decrease in the reversal of impairment loss recognised on property, plant and equipment and exploration and evaluation assets in current year.

Profit before taxation would be approximately HK\$17,150,000 (2016: HK\$2,128,000) if the reversal of impairment loss recognised on property, plant and equipment and exploration and evaluation assets was not taken into account. The increase in adjusted profit before taxation was mainly due to an increase of sales volume and tin price in 2017.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flows and borrowings. As at 31 December 2017, the Group did not have any bank facilities but had obligation under finance lease of approximately HK\$42,046,000 (2016: HK\$54,699,000). The gearing ratio of the Group, calculated as a ratio of total liabilities to total assets, was 39.4% as at 31 December 2017 (2016: 57.0%).

As at 31 December 2017, the Group had net current assets of approximately HK\$60,642,000 (2016: net current liabilities of approximately HK\$75,355,000). Improvement was due to the loan capitalisation of HK\$136,000,000 completed on 15 June 2017. Current ratio as at 31 December 2017 was 1.3 (2016: 0.8). The bank balances and cash of the Group as at 31 December 2017 was approximately HK\$190,441,000 (2016: HK\$160,499,000).

The Company and certain subsidiaries of the Company have bank balances, trade receivables, other payables and accruals, other receivables and deposits, other borrowings, sales and purchases denominated in foreign currencies which expose the Group to foreign currency risk.

The Group currently does not maintain a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## CHARGES OF ASSETS

As at 31 December 2017, our obligation under finance lease of HK\$42,046,000 (2016: HK\$54,699,000) was secured by property, plant and equipment in an amount of approximately HK\$38,617,000 (2016: HK\$50,688,000).

## CONTINGENT LIABILITIES

As at 31 December 2017, except for the litigations as set out in the litigations section of this report, the Group did not have any significant contingent liabilities.

## CAPITAL AND OTHER COMMITMENTS

The Group had capital and other commitments amounted to HK\$17,958,000 as at 31 December 2017 (2016: nil). Please refer to note 32 to the consolidated financial statements for details.

## SIGNIFICANT INVESTMENTS

For the year ended 31 December 2017, capital expenditure of the Group for property, plant and equipment amounted to approximately HK\$103,585,000 (2016: HK\$100,181,000). As at 31 December 2017, the Group's investments in equity securities listed in Hong Kong amounted to approximately HK\$2,820,000 (2016: HK\$3,920,000).

## MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition or disposal of subsidiaries, associated and joint ventures during the year 2017.

## SHARE OPTION SCHEME

On 21 October 2008, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Eligible participants of the Scheme include, without limitation, employees, Directors, shareholders and any other eligible persons of the Group.

There is no share option granted or outstanding during the year ended 31 December 2017.

Please refer to note 37 to the consolidated financial statements for the particulars of the Scheme.



## Management Discussion and Analysis (Continued)

### EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group employed approximately 27 employees (2016: 28). The Group implemented its remuneration policy, bonus and share option scheme based on achievements and performance of the employees. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and stated-managed retirement benefit scheme in the People's Republic of China (the "PRC"). The employees for mining operation are employed by BMTJV on behalf of YT Parksong Australia Holding Pty Limited ("YTPAH") and Bluestone Mines Tasmania Pty Limited ("BMT"). These employees of BMTJV and the employees of YTPAH are members of a state-managed retirement benefit scheme in Australia (Superannuation fund). The Group continues to provide training facilities to the staff to enhance knowledge of industry quality standards.

### MINES INFORMATION

#### Renison Tin Project

The Renison Mine located in Tasmania has been one of the major hard rock tin mines in the world and is the Australia's largest primary tin producer. Tin mining has been carried out at or near Renison since alluvial tin was discovered in 1890. Over the operational history, the mine was owned by several operators. In May 2003, the operation was suspended and BMT purchased the mine in 2004 and commenced redevelopment of the mine. After the acquisition of BMT by Metals X Limited ("Metals X"), the mine restarted in 2008. In March 2010, YTPAH completed the acquisition of 50% in BMT's assets. Under the joint venture agreement between YTPAH and BMT, an unincorporated joint venture ("JV") as a cooperative operator and an incorporated joint venture, BMTJV as a manager to the JV, were formed by both parties on a 50:50 basis. In March 2011, the Company acquired the entire interest of Parksong. Parksong indirectly holds 82% interest of YTPAH and Yunnan Tin Group (Holding) Company Limited ("Yunnan Tin PRC") indirectly holds 18% interest of YTPAH. The Company has participated in the management of the JV through the interest held in YTPAH.

YTPAH is an indirectly owned subsidiary of the Company. BMT is a wholly-owned subsidiary of Metals X which is a company listed on the Australian Securities Exchange.

The Renison Tin Project is based on BMT's assets which consists of (1) the Renison Bell mine, concentrator and infrastructure ("Renison underground mine"), (2) the Mount Bischoff open-cut tin project ("Mount Bischoff") and (3) the Renison tailings retreatment project ("Rentails").

After the mining contract with the contractor 'Barmenco' expired on 31 March 2016, BMTJV established its own operation team. In order to ensure a smooth handover of the mining operation, BMTJV extended the mining contract to 30 April 2016. For beginning its own mining operation, BMTJV recruited a total of 103 employees, including 78 for mining (operation and supervision), 24 for mobile fleet maintenance and 1 for the store. Also, BMTJV purchased some new equipment and some suitable equipment from Barmenco, amounting to approximately HK\$13,721,000, and leased some new equipment amounting to approximately HK\$118,561,000. From 1 May 2016, BMTJV started its own operation of mining activities.

As per the 2012 Australian Joint Ore Resources Committee ("JORC") reporting guidelines, a summary of the material information used to estimate the Mineral Resource of Renison underground mine is as follows:

#### Drilling Data

The bulk of the data used in resource estimations at Renison underground mine has been gathered from diamond core. Three sizes have been used historically NQ2 (45.1mm nominal core diameter), LTK60 (45.2mm nominal core diameter) and LTK48 (36.1mm nominal core diameter), with NQ2 currently in use. This core is geologically logged and subsequently halved for sampling. Grade control holes may be whole-cored to streamline the core handling process if required.

Each development face/round is horizontally chip sampled at Renison underground mine. The sampling intervals are limited by geological constraints (e.g. rock type, veining and alteration/sulphidation etc.). Samples are taken in a range from 0.3m to a maximum of 1.2m in waste/mullock.

All data is spatially oriented by survey controls via direct pickups by the survey department. Drillholes are all surveyed downhole, currently with a GyroSmart tool in the underground environment at Renison underground mine, and a multishot camera for the typically short surface diamond holes.

Drilling in the underground environment at Renison is nominally carried-out on 40m x 40m spacing in the south of the mine and 25m x 25m spacing in the north of the mine prior to mining. A lengthy history of mining has shown that this sample spacing is appropriate for the Mineral Resource estimation process.

## Sampling/Assaying

Drill core is halved for sampling. Grade control holes may be whole-cored to streamline the core handling process if required.

Samples are dried at 90°C, then crushed to <3mm. Samples are then riffle split to obtain a sub-sample of approximately 100g which is then pulverized to 90% passing 75µm. 2g of the pulp sample is then weighed with 12g of reagents including a binding agent, the weighed sample is then pulverized again for one minute. The sample is then compressed into a pressed powder tablet for introduction to the X-Ray fluoresce. This preparation has been proven to be appropriate for the style of mineralization being considered.

QA/QC is ensured during the sub-sampling stage process via the use of the systems of an independent NATA/ISO accredited laboratory contractor.

## Geology/Geological Interpretation

Renison underground mine is one of the world's largest operating underground tin mines and Australia's largest primary tin producer. Renison underground mine is the largest of the three major skarn, carbonate replacement, pyrrhotite-cassiterite deposits within western Tasmania. The Renison underground mine area is situated in the Dundas Trough, a province underlain by a thick sequence of Neoproterozoic-Cambrian siliciclastic and volcanoclastic rocks. At Renison underground mine, there are three shallow-dipping dolomite horizons which host replacement

mineralization. The Federal Orebody Mining has occurred since 1800s provides a significant confidence in the current geological interpretation across all projects. No alternative interpretations are currently considered viable. Geological interpretation of the deposit was carried out using a systematic approach to ensure that the resultant estimated Mineral Resource figure was both sufficiently constrained, and representative of the expected sub-surface conditions. In all aspects of resource estimation, the factual and interpreted geology was used to guide the development of the interpretation.

Renison underground mine has currently been mined over a strike length of >1,700m, a lateral extent of >900m and a depth of >1,100m.

## Database

Drillhole data is stored in a Maxwell's DataShed system based on the Sequel Server platform which is currently considered "industry standard".

As new data is acquired, it passes through a validation approval system designed to pick up any significant errors before the information is loaded into the master database. The information is uploaded by a series of Sequel routines and is performed as required. The database contains diamond drilling (including geotechnical and specific gravity data), face chip and sludge drilling data and some associated metadata.

## Estimation and modelling techniques

All modelling and estimation work undertaken by BMTJV is carried out in three dimensions via Surpac Vision.

After validating the drillhole data to be used in the estimation, interpretation of the orebody is undertaken in sectional and/or plan view to create the outline strings which form the basis of the three dimensional orebody wireframe. Wireframing is then carried out using a combination of automated stitching algorithms and manual triangulation to create an accurate three dimensional representation of the sub-surface mineralized body.

## Management Discussion and Analysis (Continued)

Once the sample data has been composited, a statistical analysis is undertaken to assist with determining estimation search parameters, top-cuts etc. Variographic analysis of individual domains is undertaken to assist with determining appropriate search parameters which are then incorporated with observed geological and geometrical features to determine the most appropriate search parameters.

Grade estimation utilizes the ordinary kriging method. By-product and deleterious elements are estimated at the time of primary grade estimation.

The resource is then depleted for mining voids and subsequently classified in line with JORC guidelines utilizing a combination of various estimation derived parameters and geological/mining knowledge.

Estimation results are validated against primary input data, previous estimates and mining output. Good reconciliation between mine claimed figures and milled figures is routinely achieved.

Tonnage estimates are dry tonnes.

### Cut-Off Grade

The resource reporting cut-off grade is 0.7% Sn at Renison underground mine based on economic assessment and current operating and market parameters.

### Metallurgical and Mining Assumptions

Mining assumptions are based upon production results achieved in the currently operating Renison underground mine. The current underground mining methods employed at Renison underground mine are considered applicable to the currently reported resource.

Metallurgical assumptions are based upon a significant history of processing Renison material at the currently operating Renison Underground Concentrator and supported by an extensive history of metallurgical test-work.

### Classification

Resources are classified in line with JORC guidelines utilizing a combination of various estimation derived parameters, the input data and geological/mining knowledge. This approach considers all relevant factors and reflects the Competent Person's view of the deposit.

In general Measured material has been operationally developed, Indicated material is drilled to 40m centres in the south of the mine and 20m centres in the north of the mine, while Inferred material is drilled at greater spacings.

### Estimated Tin and Copper Reserves and Resources

For the year ended 31 December 2017, 333 core holes with NQ2 for 34,498 meters of core holes in total has been drilled for exploration purpose and the drilling program had effectively increased the amount of indicated resources and probable reserves.

As of 31 December 2017, the JORC compliant resources and reserves of Renison underground mine are categorized as follows:

## Updated Resource and Reserve Estimates for Renison underground mine as at 31 December 2017

CATEGORY	TIN			COPPER		
	Tonnage (kt)	Grade (%Sn)	Sn Metal (t)	Tonnage (kt)	Grade (%Cu)	Cu Metal (t)
<b>Resources</b>						
Measured	1,452	1.85	26,867	1,452	0.39	5,596
Indicated	6,731	1.28	86,269	6,538	0.30	19,821
Inferred	6,791	1.32	89,742	6,782	0.14	9,185
<b>Total</b>	<b>14,974</b>	<b>1.35</b>	<b>202,878</b>	<b>14,772</b>	<b>0.23</b>	<b>34,602</b>
<b>Reserves</b>						
Proven	1,267	1.46	18,506	1,267	0.35	4,430
Probable	5,554	0.97	53,916	5,232	0.25	12,992
<b>Total</b>	<b>6,821</b>	<b>1.06</b>	<b>72,422</b>	<b>6,499</b>	<b>0.27</b>	<b>17,422</b>

During the year under review, an extensive exploration and resources development drilling campaign targeting underground targets was conducted over Renison underground mine. 929 meters of capital decline and 930 meters of sill development were advanced during the period. 7,083 tonnes of tin metal was produced from Renison underground mine and 0 tonne from Mount Bischoff, and processed ores averaged 1.31% Sn. No development or recovery production activities were carried out for Rentals Project.

For the year ended 31 December 2017, a total of approximately HK\$112,915,000 capital expenditure was incurred for exploration, development or production activities. The details of the expenditure are shown below:

### Operating Expenses for the year ended 31 December 2017

<b>Included</b>	<b>HK\$'000</b>
Mining costs	111,985
Processing costs	75,497
Royalty	14,662
Transportation	1,744
Depreciation and amortisation expenses	124,780
Others	47,995
<b>Total</b>	<b>376,663</b>

### Finance Costs for the year ended 31 December 2017

	<b>HK\$'000</b>
Interests on obligations under finance leases	2,402

### Capital Expenditure for the year ended 31 December 2017

<b>Addition</b>	<b>HK\$'000</b>
Property, Plant and Equipment	103,585
Exploration and Evaluation Assets	9,330
<b>Total</b>	<b>112,915</b>

The latest resource and reserve estimates for Renison underground mine, Mount Bischoff and Rentals are summarized as follows:

### Total Resource and Reserve Estimates as at 31 December 2017 (note)

CATEGORY	TIN			COPPER		
	Tonnage (kt)	Grade (%Sn)	Sn Metal (t)	Tonnage (kt)	Grade (%Cu)	Cu Metal (t)
<b>Resources</b>						
Renison underground mine	14,974	1.35	202,878	14,772	0.23	34,602
Mount Bischoff	1,667	0.54	8,981	—	—	—
Rentails	23,220	0.44	102,950	23,220	0.23	52,716
Total	39,861	0.79	314,809	37,992	0.23	87,318
<b>Reserves</b>						
Renison underground mine	6,821	1.06	72,422	6,499	0.27	17,422
Mount Bischoff	—	—	—	—	—	—
Rentails	22,313	0.44	98,930	22,313	0.23	50,668
Total	29,134	0.59	171,352	28,812	0.24	68,090

The above information that relates to Mineral Resources report has been compiled by BMTJV technical employees under the supervision of Mr. Colin Carter (“Mr. Carter”) B.Sc. (Hons), M.Sc. (Econ. Geol), MAusIMM. Mr. Carter is a full-time employee of BMTJV and has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr. Carter consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Note: The above information of this report are updated to its preparation date as at 31 March 2017. From 1 April 2017 to 31 December 2017, approximately 541,979 tonnes of tin ore were extracted from the Renison underground mine.

### Renison Underground Mine

The Renison underground mine is one of the underground tin mines in Australia and is located on the west coast of Tasmania, 140 kilometres (“km”) south of the port of Burnie, 10km west of the mining town of Roseberry, and 16km northeast of Zeehan where BMTJV has an accommodation village with bulk of the workforce resided.

The mine is adjacent to the sealed Murchison Highway which connects Renison underground mine with Burnie on the north coast. The Emu Bay railway also runs adjacent to the mine and gives access to Burnie’s shipping facilities, although Renison underground mine does not use the railway for its products, but rather loads the tin concentrate in 2 tonnes metal bins which are trucked to Burnie for containerizing and export.

## Management Discussion and Analysis (Continued)

Conventional up-hole longhole stoping methods have incorporated with up-hole rising utilizing a purpose built drill rig, thus eliminating the need for air-leg miners in underground mining. Though the Federal Deeps and Area 4 are focal areas of mining, small amounts on production were sourced from other areas to diversify the risk of having only 3 mining areas and to ensure that the isolated ore is mined economically (in conjunction with the “mainstay” ore). Apart from the Central Federal Bassets area being developed, opening up additional mining areas has reduced the site’s risk profile arising from over-reliance on a certain area.

A new geological model was developed during the year that encompasses all of the Renison’s resource and will enhance a full review of the mine.

### Mount Bischoff

Mount Bischoff, acted as an incremental field to supplement the Renison ore, was mined by open-cast techniques and hauled by road-train to the Concentrator where it was blended with feedstock from the Renison underground mine until July 2010 when the open pit was suspended and placed into care and maintenance as the reserve had been depleted. As such, there is no fixed or updated plan on re-opening of Mount Bischoff within a considerable period of time. In view of this, BMTJV has not made any updated mining plan for Mount Bischoff since March 2011, and recognized an impairment loss of HK\$40,162,000 on exploration and evaluation assets of this open-pit mine during the year ended 31 December 2012.

### Rentails

The Rentails is based on the retreatment of process tailings which have accumulated since the commencement of mining at Renison underground mine. It involves the retreatment of approximately 21 million tonnes of tailings with an average grade of 0.45% tin and 0.22% copper at Renison in a dedicated tailings concentrator, with concentrate processed in a tin fumer. The tin tailings are stored in tailings dams at Renison underground mine. The contained tin within these dams is approximately 99,000 tonnes, one of the largest tin resources in Australia.

Additional construction capital has been estimated to be approximately AUD213 million +/-15% for the recovery of Rentails. In view of the significant capital requirement before the value of Rentails can be unlocked, the Company had not assigned any value to this Rentails in our accounting books at the date of completion of the acquisition of Parksong. However, the management of BMTJV inspected the Yunnan Tin PRC production plants in the PRC in late April of 2013, and had in-depth discussions on the technology and equipment of tailing treatment. To propel the Rentails project, BMTJV has appointed Yunnan Tin PRC to appraise the project and provide recommendation for their consideration. For the year ended 31 December 2017, the Company was of the view that Rentails should continue to carry zero value as the Group does not have any development plan and certainly would not have sufficient funding for this project in the foreseeable future.

### Renewal of mining lease

The Mining Lease in respect of the Renison underground mine has been renewed and will expire on 1 August 2031.

## MANAGEMENT AGREEMENT

Prior to the completion of the acquisition of Parksong by the Group, an agreement dated 1 December 2010 was signed by Mr. Chan Kon Fung (“Mr. Chan”) purportedly on behalf of YTPAH with YTATR, a subsidiary of Yunnan Tin PRC in relation to the engagement of YTATR for the provision of certain production and operation management services for the Renison Tin Project. The Group has been disputing the validity of such agreement and does not admit that such agreement is binding on YTPAH. YTATR has requested YTPAH to pay a fee for management services rendered by it up to 31 December 2015.

With a view to facilitate possible future cooperation between YTPAH and YTATR and settle all matters in relation to such agreement, discussion between YTPAH and YTATR is still going on.

As YTPAH is indirectly owned as to 82% by Parksong and as to 18% by Yunnan Tin PRC, Yunnan Tin PRC is a substantial shareholder of a subsidiary of the Company and therefore a connected person of the Company. The proposed settlement and new management arrangements, if materialised, will constitute connected transaction or continuing connected transaction of the Company and the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules. Further announcement will be made by the Company on the development of this matter as and when appropriate.

## LITIGATIONS

### HCA 1357/2011

The legal proceedings involves the disputes regarding the sale and purchase agreement dated 13 July 2010 (“Parksong S&P Agreement”) in relation to the sale and purchase of the entire issued share capital of Parksong Mining and Resource Recycling Limited (“Parksong”) signed between Mr. Chan Kon Fung (“Mr. Chan”) as the vendor, Gallop Pioneer Limited (“GPL”) as the purchaser and the Company being GPL’s parent company as the guarantor. The completion of the acquisition of Parksong took place on 4 March 2011 (“Completion Date”).

GPL and the Company were named as 1st Defendant and 2nd Defendant in a writ of summons with a Statement of Claim dated 11 August 2011 filed by Mr. Chan under High Court Action number 1357 of 2011 (“HCA 1357 Action”). Under the Statement of Claim, Mr. Chan alleged that GPL and the Company have breached the Parksong S&P Agreement by failing to make payment of AUD15,143,422.44 (equivalent to approximately HK\$92,367,000), being the alleged amount of the “Receivables” which Mr. Chan alleged is entitled under the Parksong S&P Agreement (“Mr. Chan’s Claim”).

GPL and the Company denied Mr. Chan’s Claim and have made counterclaim against Mr. Chan for his breach of the respective terms and/or guarantees and/or warranties in the Parksong S&P Agreement. GPL and the Company filed their Defence and Counterclaim on 11 October 2011 which was amended on 23 May 2012 (as “D&C2”) and re-amended on 31 August 2016 (as “D&C3”). Under the D&C3, GPL and the Company sought to claim against Mr. Chan by way of counterclaim and set-off and stated that GPL has suffered loss and damage by reason of the following: (1) Mr. Chan has failed to make a payment to GPL in settlement of payables under the Parksong S&P Agreement (“Payables”) (apart from the amount of AUD476,393 under (2) below; (2) the Company and GPL are disputing that Mr. Chan is entitled to claim the amount of AUD3,048,387.10 forming part of the Receivables and claim Mr. Chan for the sum of AUD476,393 forming part of the Payables in respect to cut-off of called cash payment as at the Completion Date; (3) Mr. Chan has prepared 3 sets of documents which showed a conflicting picture as to who was the owner of an advanced sum of AUD16.3 million (“AUD16.3 Million Issue”) to Yunnan Tin Hong Kong (Holding) Group Co. Ltd. (“YTHK”), a majority-owned subsidiary of Parksong, before the completion of the acquisition; and/or further the said advanced sum of AUD16.3 million may be an amount owed to one of its shareholder, Yunnan Tin Group (Holding) Company Limited (“Yunnan Tin PRC”), by YTHK which is not recorded in the relevant accounts (and thus amounts to an additional amount under the Payables (as defined above)) which Mr. Chan is liable to compensate GPL for the said advanced sum of AUD16.3 million; (4) Mr. Chan unilaterally caused an Australian subsidiary of YTHK, YT Parksong Australia Holding Pty Limited (“YTPAH”), to enter into a tin concentrate package purchase underwriting agreement and a management agreement with YTATR for a period of life of the mine on 1 December 2010, without the consent of GPL; and (5) the claim sum of USD2,059,897 due to production shortfall of contained tin in concentrate from the mine in Australia for the first anniversary after the Completion Date and compensation for each of the second and third anniversaries to be assessed. Under the D&C3, GPL claimed against Mr. Chan for the respective sums of AUD1,048,847.18, AUD476,393, AUD16,300,000, AUD8,505,000, USD2,059,897 (approximately of HK\$176,699,000 in total) and damages etc.



## Management Discussion and Analysis (Continued)

Save and except that Mr. Chan has admitted in his Reply and Defence to Counterclaim dated 9 December 2011 and subsequently amended on 10 July 2012 (as “R&DC2”) and 5 June 2013 (as “R&DC3”) and 2 June 2017 (as “R&DC4”) that (1) the third set of documents as pleaded in the D&C3 reflected the correct position and understanding of Mr. Chan, GPL and the Company in making the Parksong S&P Agreement, and (2) that the Payables due under the Parksong S&P Agreement was at the sum of AUD3,244,520.24, Mr. Chan has denied the claims made by GPL and the Company in the D&C3.

Mr. Chan and GPL and the Company attended a mediation on 16 August 2012 in relation to the disputes in the legal proceedings. At present, no settlement has been reached by the parties. The parties are proceeding with the legal proceedings.

For the AUD16.3 Million Issue, from June to December 2013, GPL and the Company had made and dealt with applications to obtain further evidence from Mr. Chan including discovery of further document and interrogatories for further information. In July 2014, GPL and the Company made application to amend the D&C2 including the AUD16.3 Million Issue. An application for joinder of parties to engage Yunnan Tin PRC and YTHK was also made in July 2014 (“the said Joinder Application”). Further, an application for expert evidence (“the said Expert Evidence Application”) on various issues (as mentioned below) including the AUD16.3 Million Issue was made in August 2014. Meanwhile, GPL and the Company also sought confirmation from Yunnan Tin PRC on the AUD16.3 Million Issue. Yunnan Tin PRC in July 2015 replied that Yunnan Tin PRC had contributed a loan of AUD16.3 million to YTHK. On 3 June 2015, Mr. Chan also made application to amend the R&DC3 on the AUD16.3 Million Issue (“Plaintiff’s Amendment Application”).

For the issue on production shortfall, compensation is based on Mr. Chan’s production guarantee of 6,500 tonnes of contained tin in concentrate for each of the three anniversaries from the Completion Date under the Parksong S&P Agreement. The actual figures of tin production were confirmed to be approximately 4,979 tonnes, 6,159 tonnes and 6,013 tonnes respectively by Parksong’s advisor, resulting in respective shortfalls of 1,521 tonnes, 341 tonnes and 487 tonnes. GPL’s claims on compensation for production shortfalls are in sum of approximately AUD3,284,000, AUD650,000 and AUD1,021,000 respectively (approximately of HK\$30,227,000 in total). However, the Company and GPL are now making application to engage expert to provide expert’s opinion on these amounts under the said Expert Evidence Application.

Apart from the above, requests for further expert evidence on the amount of the Receivables under Mr. Chan’s Claim and the amount of the Payables claimed by GPL and the Company were also made under the said Expert Evidence Application.

After an initial hearing on 19 December 2014 in respect of the said Joinder Application, the said Expert Evidence Application and application for the Defendants’ pleading amendment (“Defendants’ Amendment Application”), further hearings on such applications had originally been scheduled to 28–29 July 2015. As mentioned above, the Plaintiff’s Amendment Application was made by Mr. Chan on 3 June 2015. The Plaintiff’s Amendment Application and the Defendants’ Amendment Application were first heard on 28–29 July 2015 with the result that the said Joinder Application and the said Expert Evidence Application had to be further adjourned. On 4 August 2016, a decision was handed down by the Court under which the Plaintiff’s Amendment Application was dismissed while the Defendants’ Amendment Application was allowed. On 10 April 2017, Yunnan Tin PRC issued an application for joinder of parties and demanded Mr. Chan to better formulate his claim under the R&DC4 so that the disputes between all parties could be better dealt with. Further to the directions

hearing on 20 April 2017, the hearing of the said Joinder Application and the said Expert Evidence Application was further adjourned to 19–20 December 2017. At the hearing on 19 December 2017, the said Joinder Application was allowed. Yunnan Tin PRC and YTHK were joined HCA1357 Action as 3rd Defendant and 4th Defendant and directions were made by the Court for filing of their Defence and Counterclaim. In addition to Mr. Chan's non-opposition to expert evidence application on production shortfall, the hearing of remaining applications under the said Expert Evidence Application was adjourned pending confirmation from Mr. Chan whether he would continue to oppose them. Eventually on or about 16 January 2018, Mr. Chan indicated non-opposition to the remaining applications. Expert evidence are to be prepared and a direction hearing for it has been fixed to be heard on 6 June 2018.

On 19 March 2018, Yunnan Tin PRC as claimant filed its defence and counterclaim against 4 defendants including Parksong, YTHK, GPL and Mr. Chan, which was disclosed in announcement of the Company dated 21 March 2018. The counterclaim under the Defence and Counterclaim relates to the same subject matter in another legal proceedings (HCA 3132/2016 as stated below). Parksong, YTHK and GPL are seeking legal advice from their legal advisers regarding the Defence and Counterclaim. Further announcement in relation to the progress of the litigation will be made as and when appropriate.

The legal proceedings are now being considered with these additional evidence and related investigation and development. GPL is now making re-assessment on Mr. Chan's Claim and the compensation to be sought under the counterclaims of GPL and the Company, including the amount on the Payables and the compensation for production shortfall.

### HCA 3132/2016

It has come to the attention of the Group that a writ of summons with general endorsements under High Court Action number 3132/2016 ("HCA 3132 Action") was issued by Yunnan Tin PRC against Parksong, YTHK and Mr. Chan on 30 November 2016. Under HCA 3132 Action, Yunnan Tin PRC has made various claims which relates to the AUD 16.3 Million Issue. The writ of summons was eventually served in November 2017. At the hearing on 19 December 2017 in relation to HCA 1357 Action, both Mr. Chan and Yunnan Tin PRC indicated their understanding that the matters under HCA 3132 Action shall be more conveniently dealt with under HCA 1357 Action and it has been indicated that HCA 3132 Action shall be discontinued in due course.

### HCA 492/2017

By an amended writ of summons dated 3 March 2017, the Company, GPL, Parksong and YTHK as 4 plaintiffs have issued the writ with general endorsements under High Court Action number 492 of 2017 ("HCA 492 Action") under which, amongst others, the Company and GPL made various claims against Mr. Chan as defendant including a declaration that Mr. Chan shall indemnify the Company and GPL for damages and loss suffered as a consequence of the claims of Yunnan Tin PRC under the HCA 3132 Action and for the sum of AUD16.3 million for breach of the Parksong S&P Agreement. Under HCA 492 Action, Parksong and YTHK have also, without prejudice to any defence or counterclaim they may have against Yunnan Tin PRC, made claims against Mr. Chan as defendant for breach of fiduciary duty/director's duty while Mr. Chan was acting as a director of Parksong and YTHK for, amongst others, matters arising from HCA 3132 Action. On 13 March 2018, Mr. Chan's legal advisor acknowledged service to the amended writ of summons of HCA492 Action.

# Directors and Senior Management

Below sets out the profile of Directors and Senior Management with updated information of Directors (pursuant to disclosure requirement under Rule 13.51B(1) of the Listing Rules).

## EXECUTIVE DIRECTORS

**Mr. LI Dong (李冬)**, aged 49, has been appointed as an executive director and chairman of the Company since August 2017. He graduated from University of Science and Technology of China with a Bachelor of Science degree. Previously, he was the deputy general manager of Toshiba notebook department, the general manager of marketing department and the general manager of handheld device network department in Lenovo. He also served as the general manager of Beijing Tianlang Voice Technology Co. Ltd.\* (北京天朗語音科技有限公司), the vice president of Zhonghuan Communications Co., Ltd.\* (中寰通信公司) of China Satellite Communications Group\* (中國衛通集團), the executive vice president of C&T Group\* (華夏建通集團), and the vice president and director of C&T Technology Development Co., Ltd.\* (華夏建通科技開發股份有限公司). He is currently the chairman of Cybernaut Greentech Investment Group\* (賽伯樂綠科投資集團) and the vice chairman of Cybernaut Investment Group\* (賽伯樂投資集團).

**Mr. NIE Dong (聶東)**, aged 50, has been an executive director of the Company since August 2012. Mr. Nie has also been appointed as the Chief Executive Officer (“CEO”) and member of the Remuneration Committee of the Company on 8 March 2013. Mr. Nie graduated from Chongqing Institute of Architecture and Engineering with a degree in Architecture; and obtained a postgraduate diploma in “Integrated Marketing Communications” co-organized by the University of Hong Kong and Sun Yat-sen University in 2003. Mr. Nie has nearly 20 years’ experience in architectural design, marketing and corporate governance. Prior to joining the Group, Mr. Nie was the general manager of the marketing department of L’sea China Holdings Limited and sales director of the group from the year of 2010 to 2011 and mainly responsible for group strategic planning, commercial operation, sales and marketing, land development and customer services.

**Mr. CHEUNG Wai Kuen (張偉權)**, aged 44, has been an executive director of the Company since December 2009. Mr. Cheung has been also a member of the Nomination Committee of the Company since March 2012. Mr. Cheung has over 12 years’ extensive experience in capital management and corporate management. Mr. Cheung has established a number of enterprises in various industries in the PRC since 1997, including property investment, hospital and trading business. Mr. Cheung is currently the chairman and executive director of Common Splendor International Health Industry Group Limited (Stock Code: 00286), a company listed on The Stock Exchange of Hong Kong Limited.

**Mr. WANG Chuanhu (汪傳虎)**, aged 50, has been an executive director since April 2014. Mr. Wang graduated from North China University of Technology in 1987 and holds a bachelor degree in management from BeiJin Municipal Committee of the CPC Party School in 1998. Prior to joining the Group, Mr. Wang has over 26 years’ extensive experience in design of large enterprises, investment and operational management in various industrial, construction and commercial sectors in The People’s Republic of China.

**Ms. XIE Yue (謝玥)**, aged 26, has been appointed as an executive director of the Company since August 2017. She graduated from the Renmin University of China with a bachelor’s degree in law in 2013, and a master degree in management from Imperial College London in the United Kingdom in 2014. Ms. Xie is currently the chief executive officer of So Salad (Shenzhen) Technology Co., Ltd.\* (瘦沙拉(深圳)科技有限公司), in charge of the overall management and financing business.

## NON-EXECUTIVE DIRECTOR

**Tan Sri Dato' KOO Yuen Kim P.S.M., D.P.T.J. J.P** (丹斯里拿督古潤金P.S.M., D.P.T.J. J.P), aged 59, has been appointed as a non-executive director of the Company since March 2018. He is a renowned entrepreneur in Malaysia and the People's Republic of China. He has served as a chairman of the board of directors of Perfect (China) Co., Ltd (完美(中國)有限公司) ("Perfect China"). He focuses on production and sales work of such company. He is also experienced in company management and merger and acquisition. His remarkable business acumen and savvy has led his entrepreneurial ventures to success both in China and Malaysia and he has received recognitions from wide range of organizations. As at the date of this annual report, he holds 856,071,766 shares of the Company, representing approximately 12.53% of the issued share capital of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chi Chi Hung, Kenneth** (季志雄), aged 49, has been appointed as an independent non-executive director of the Company, the Chairman of the Audit Committee and a member of the Remuneration Committee since October 2012. Mr. Chi was also appointed as the member of the Nomination Committee on 8 March 2013. Mr. Chi has over 25 years of experience in accounting and financial control area. He holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chi is currently an executive director of DeTai New Energy Group Limited (stock code: 559) which is listed on The Stock Exchange of Hong Kong Limited. He is also an independent non-executive director of each of Perfect Shape Beauty Technology Limited (stock code: 1830) and Noble Century

Investment Holdings Limited (stock code: 2322), all these companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Chi was an executive director of each of Generic (Holdings) Limited (now known as "TFG International Group Limited") (stock code: 542) from October 2010 to June 2017 (Mr. Chi resigned as executive director of that company with effect from 22 June 2017) and e-Kong Group Limited (stock code: 524) from September 2014 to July 2015. Mr. Chi was an executive director and a non-executive director of China Sandi Holdings Limited (stock code: 910) from May 2010 to January 2015 and from January 2015 to August 2015 respectively. Mr. Chi was also an independent non-executive director of each of Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085) from January 2010 to August 2015, Aurum Pacific (China) Group Limited (stock code: 8148) from March 2010 to October 2015 and Silk Road Energy Services Group Limited (stock code: 8250) from December 2011 to November 2015, all these companies are listed on The Stock Exchange of Hong Kong Limited.

**Mr. ZENG Jin** (曾錦), aged 56, has been appointed as an independent non-executive director of the Company since March 2018. He graduated from China Central Radio and TV University (now known as The Open University of China) with a distance learning bachelor degree in Law. He has worked as a lawyer in the People's Republic of China for over 26 years and is currently a partner of Goldsun Law Firm and a director of Goldsun (Heyuan) Law Firm. Mr. Zeng had been the representative of the Eighth All China Lawyers Representatives Congress; the council member of the Ninth Session of Guangdong Lawyers Association; the council member and executive director of the Tenth Session of Guangdong Lawyers Association; the director of Continuing Education Committee of the Tenth Session of Guangdong Lawyers Association; and the chairman of the Third session of Heyuan Lawyers Association.

## SENIOR MANAGEMENT

**Mr. LAM Yiu Por (林曉波)**, aged 41, has been the head of investor relations since November 2013, and has been promoted as the vice president and the Chief Financial Officer since September 2014. Mr. Lam holds a Bachelor's degree in Accountancy from the Hong Kong Polytechnic University. He is a fellow member of the Association of Chartered Certified Accountants, a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a chartered financial analyst of the Chartered Financial Analyst Institute and an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has more than 17 years of experience in the field of finance and accounting. Mr. Lam is currently a non-executive director of Zhong Ao Home Group Limited (stock code: 1538), a company listed on The Stock Exchange of Hong Kong Limited. He is also an independent non-executive director of each of JNBY Design Limited (stock code: 3306), China Tontine Wines Group Limited (stock code: 389) and Denox Environmental & Technology Holdings Limited (stock code: 1452), these companies are listed on The Stock Exchange of Hong Kong Limited. He was an independent non-executive director of Yat Sing Holdings Limited (stock code: 3708), during the period of December 2014 to March 2016, was an independent non-executive director of GR Properties Limited (stock code: 108), during the period of June 2012 to February 2014, both companies being listed on The Stock Exchange of Hong Kong Limited.

**Mr. WONG Tak Shing (黃德盛)**, aged 55, has been the Regional Chief Financial Officer of the Company with principal responsibility for the financial and operational issue of the Renison project since March 2011, and was appointed as the Company Secretary in September 2014. Mr. Wong graduated from the University of New England, Australia with a Postgraduate Diploma in Financial Management and from the University of Southampton, U.K. with a Bachelor of Social Science in Business Economics and Accounting. Mr. Wong is currently an associate member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 27 years of experience in corporate finance, accounting, personnel and administration. Mr. Wong is currently an independent non-executive director of China Digital Culture (Group) Limited (Stock Code: 08175) and Pa Shun International Holdings Limited (Stock Code: 00574), the companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Wong was previously an executive director of China Ocean Fishing Holdings Limited. (Stock Code: 08047) and Sing Pao Media Enterprises Limited (Stock Code: 08010), an independent non-executive director of Digital Domain Holdings Limited (Stock Code: 00547), these companies are listed on The Stock Exchange of Hong Kong Limited.

The Board is committed to maintaining high standard of corporate governance which is reviewed and strengthened on a continued basis. The Company has adopted all the provisions under the “Corporate Governance Code” (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code on corporate governance practice. For the year ended 31 December 2017, the Company had complied with all provisions under the Code, except for the deviation from the code provisions A.2.1, A.5.1 and A.6.7. This corporate governance report contains the detailed explanations on the Company’s practices in compliance with the applicable code provisions and the considered reasons for such deviations.

## GOVERNANCE STRUCTURE

To enhance accountability, transparency, independence, responsibility and fairness to the shareholders and stakeholders, the Company is dedicated to develop an appropriate framework of corporate governance for the Company and its subsidiaries (the “Group”). The Company’s corporate governance structure includes the Board and four committees under the Board, namely audit committee, remuneration committee and nomination committee (the “Three Committees”) and the Compliance Committee. The Board stipulates the terms of reference of all committees in writing and specifies clearly the power and responsibilities of the committees.

## BOARD OF DIRECTORS

### Board functions

The Board is principally responsible for establishing the development direction of the Group, formulating targets and business development plans, approving major agreements and matters, monitoring the performance of senior management and is responsible for corporate governance with a view to increasing shareholders’ value. Led by the CEO, the management is responsible for implementing the strategies and plans developed by the Board.

The Company has developed a schedule of matters reserved to the Board for its decision and has separately identified those functions reserved to the Board. The Board will review those arrangements on a regular basis to ensure that the arrangements meet the needs of the Company.

### Board composition

The Board currently comprised eight directors (the “Directors”), of which five Executive Directors (the “ED”), namely, Mr. Li Dong (Chairman), Mr. Nie Dong (Chief Executive Officer (the “CEO”)), Mr. Cheung Wai Kuen, Mr. Wang Chuanhu and Ms. Xie Yue; a Non-Executive Director, namely Tan Sri Dato’ Koo Yuen Kim P.S.M., D.P.T.J. J.P; and two Independent Non-Executive Directors (the “INED”), namely, Mr. Chi Chi Hung, Kenneth and Mr. Zeng Jin. The biographical details of the existing Directors of the Company and the relationships among them as at the date of this report are set out in the Directors’ and Senior Management’s Profile section on pages 18 to 20 of this annual report. Save as disclosed in this annual report, none of our Directors has any business, financial, or family interests with each other and the Company.

The Board believes it is a balanced composition as each of the Directors has his own skills, expertise, professional qualifications and appropriate experiences to effectively oversee the business of the Group. It can effectively exercise independent judgement for the business activities of the Group to safeguard the interests of the shareholders and to improve standard in corporate governance to fulfill the demands of the shareholders and stakeholders of the Group.

One of the INED is a professional accountant, which is in compliance with the requirement of the Listing Rules. Each of our INED has presented an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considered all of the INED to be independent.

The Company has arranged insurance cover of “Directors’ and Officers’ Liabilities Insurance” for Directors, officers and senior management of the Group. The insurance coverage is reviewed annually.

## Board Delegation

The Board delegates the authorities to the board committees and the senior management of the Company to provide professional advice and monitor the daily operation of the Group on issues which require discussion, expertise knowledge and experience to make the decision. The Three Committees are responsible for making recommendation on the specified matters in line with the terms of reference adopted by the Board set out separately. The senior management is responsible for supervision of the daily operation of the Group by functions.

## Board, Board committees and general meetings

The total number of the meetings and the individual attendance of each Director in person at each of the meetings during the year ended 31 December 2017 were as follows:

### Number of meeting(s) attended/number of meeting(s) convened within the period of appointment for individual director

Name of Directors	Board meeting	Remuneration committee meeting	Nomination committee meeting	Audit committee meeting	Annual General Meeting	Extra-Ordinary General Meeting
<b>Executive directors</b>						
Mr. LI Dong (appointed on 15 August 2017)	1/7	N/A	N/A	N/A	0/0	0/1
Mr. NIE Dong	16/16	4/4	N/A	N/A	1/1	2/2
Mr. CHEUNG Wai Kuen	7/16	N/A	0/1	N/A	0/1	0/2
Mr. WANG Chuanhu	13/16	N/A	N/A	N/A	0/1	0/2
Dr. SHI Simon Hao (resigned on 30 September 2017)	5/11	N/A	N/A	N/A	1/1	1/1
Ms. XIE Yue (appointed on 15 August 2017)	4/7	N/A	N/A	N/A	0/0	0/1
<b>Independent non-executive directors</b>						
Mr. CHI Chi Hung, Kenneth	8/16	2/4	0/1	1/2	1/1	1/2
Mr. DENG Shichuan (resigned on 3 December 2017)	11/14	3/4	1/1	2/2	0/1	0/2
Mr. James MUNN (removed on 19 January 2018)	10/16	3/4	1/1	2/2	0/1	0/2

The notices were given at least 14 days in advance for each of the regular Board meeting to all the Directors so that they could have an opportunity to attend the same in person during the year. On ad hoc basis, the ED met together upon reasonable notices or by agreement of the ED to waive the notice of the meetings to discuss the matters as required by business needs. In respect of regular Board meetings, and so far as practicable, an agenda and accompanying board papers were sent in full to all Directors in a timely manner at least 3 days before the intended dates of Board meetings. The company secretary of the Company attended all regular Board meetings to advise on corporate governance and statutory compliance when necessary. In addition, the Company has maintained a procedure for Directors to seek independent professional advice in appropriate circumstances. Minutes of Board meetings and meetings of the Three Committees are kept by a duly appointed secretary of the meetings and such minutes would be inspected at any reasonable time on reasonable notice by any Director. Minutes of Board meetings and meetings of the Three Committees had recorded in sufficient details the matters considered by the Board and decisions reached, including any concerns raised by Directors or the representatives of the relevant parties of dissenting views expressed. Draft and final versions of minutes of the Board and the Three Committees meetings had been sent to all Directors and the representatives of the relevant parties involved in the meetings through electronic means for their comments and records respectively, in both cases within a reasonable time after the meetings were held.

During the year, prior to the appointment of Mr. Li Dong as the Chairman, Mr. Nie Dong acted as the Chairman had a meeting with the INEDs without the presence of EDs and management.

## **DEVIATIONS FROM THE CODE PROVISIONS**

Pursuant to Code Provision A.6.7 of the Code, independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Due to other

pre-arranged commitments which had to be attended by Mr. Cheung Wai Kuen, Mr. Wang Chuanhu, Mr. Deng Shichuan and Mr. James Munn, Mr. Cheung, Mr. Wang, Mr. Deng and Mr. Munn did not attend the annual general meeting of the Company held on 8 June 2017. Further, due to other pre-arranged commitments which had to be attended by Mr. Li Dong, Mr. Cheung Wai Kuen, Mr. Wang Chuanhu, Ms. Xie Yue, Mr. Chi Chi Hung, Kenneth, Dr. Deng Shichuan and Mr. James Munn did not attend the extra-ordinary general meetings held on 8 June 2017 and 18 October 2017.

Pursuant to Code Provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. Mr. Nie Dong is the CEO. Following the appointment of Mr. Li Dong as an ED and the Chairman with effect from 15 August 2017, the roles of the Chairman and the CEO are segregated and assumed by two separate individuals.

Pursuant to Code Provision A.5.1 of the Code, the nomination committee should be chaired by the chairman of the board or an independent non-executive director and comprise a majority of independent non-executive directors. Following the resignation of Mr. Deng Shichuan as INED with effect from 3 December 2017, Mr. Deng ceased to be a member of the NC and the NC did not comprises a majority of INED.

## **CONTINUOUS PROFESSIONAL DEVELOPMENT**

Pursuant to Code Provision A.6.5 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the reporting period, each of the Directors has participated in continuous professional development by attending in-house seminar provided by the Company and/or has been reading materials relevant to the Director's duties and responsibilities and rules updates so as to develop and refresh their knowledge and skills, and to ensure that their contribution to the Board remains informed and relevant.



Name of Directors	Nature of continuous professional development programmes
<b>Executive directors</b>	
Mr. LI Dong	A
Mr. NIE Dong	A
Mr. CHEUNG Wai Kuen	A
Mr. WANG Chuanhu	A
Dr. SHI Simon Hao	A
Ms. XIE Yue	A
<b>Independent non-executive directors</b>	
Mr. CHI Chi Hung, Kenneth	A
Mr. DENG Shichuan	A
Mr. James MUNN	A

A: reading seminar materials and updated relating to the latest development of the Listing Rule and other applicable regulatory requirements.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the CEO have different roles. The Chairman is responsible for the operation of the Board and the CEO is responsible for managing the operations of the Group. Their functions have been clearly divided to ensure a balanced distribution of power and authority not concentrating on a single individual.

Mr. Chen Zhenliang resigned as the ED and the Chairman on 30 September 2014. Mr. Li Dong is appointed as the ED and the Chairman on 15 August 2017. Mr. NIE Dong is the CEO.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company entered a letter of appointment with each of INED for a term of three years. Please refer to page 33 for further details.

Following the resignation of Mr. Deng Shichuan as an INED with effect from 3 December 2017 and the removal of Mr. James Munn as INED with effect from 19 January 2018, the number of INED was less than three as required under Rule 3.10(1) of the Listing Rules and the number of INED fell below one-third of the Board as required under Rule 3.10A of the Listing Rules. Following the appointment of Mr. Zeng Jin as INED with effect from 1 March 2018, one of the vacancies was filled. The Company is finding another suitable candidate for appointment as INED to meet the requirements relating to the INED and will make further announcement as and when appropriate.

## SECURITIES TRANSACTIONS OF THE DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors. All Directors have confirmed in writing that, in respect of the year ended 31 December 2017, they have complied with the required standard as set out in the Model Code.

The Group also adopted the Model Code for certain employees (“Relevant Employees”) who, because of their office in the Company, may from time to time encounter Inside Information (as defined in the Securities and Futures Ordinance (Cap. 571)). The Group have received confirmations from all Relevant Employees that they complied with the Model Code throughout the period under review.

## REMUNERATION COMMITTEE

### Remuneration Committee functions

The remuneration committee of the Company (the “RC”) was established to formulate remuneration policy for the Board’s approval. It has adopted the terms of reference, which are in line with the Code Provisions set out in the Code.

The terms of reference of the RC were revised on 31 December 2015. The majority of members of RC shall be INED and the Chairman of the Board (unless he is an INED) shall not be a member of the RC.

The principal functions of the RC include reviewing and recommending to the Board specific remuneration packages for each Director and senior management by reference to corporate goals and objectives, assessing performance of EDs and approving the terms of their service contracts. The RC also ensured that no Director or senior management member determined his own remuneration.

The RC is to make recommendations to the Board on the remunerations packages of individual ED and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

### Remuneration Committee composition

The RC comprises two INED namely, Mr. Chi Chi Hung, Kenneth and Mr. Zeng Jin and one ED namely, Mr. Nie Dong. Mr. Chi Chi Hung, Kenneth was appointed as the Chairman of the RC.

### Remuneration Committee meetings

During the year ended 31 December 2017, the RC had met 4 times to discuss the remuneration of Directors.

The details of the number of the RC meetings held during the year of 2017 and the relevant record of individual attendance of the members of the RC, on a named basis, are shown in the table under the heading “Board, Board committees and general meetings” on page 22 of this corporate governance report.

The Directors are remunerated with reference to their respective duties and responsibilities with the Company, the Company’s performance and current market situation. In addition, the Group has adopted the share option scheme on 21 October 2008. Details of emoluments of the Directors from the Group for the year are as disclosed in note 10 to the consolidated financial statements.

## NOMINATION COMMITTEE

### Nomination Committee functions

The nomination committee of the Company (the “NC”) was established on 30 March 2012 to formulate nomination policy for consideration of the Board and to implement the nomination policy laid down by the Board. It has adopted the terms of reference, which are in line with the Code under Appendix 14 to the Listing Rules.

The terms of reference of the NC were revised on 31 December 2015. The majority of the members of NC shall be INED. The Chairman of the Board shall not chair the NC when it is dealing with the matters of his own appointment and succession to the chairmanship.

The NC has developed a formal, consistent and transparent procedure for the appointment of new Directors to the Board. There would be plans in place for orderly succession for appointments to the Board. All Directors would be subject to re-election at regular intervals.

A proposal for the appointment of a new Director will be considered and reviewed by the NC. The NC will consider the skills and expertise of the Candidates as well as personal ethics, integrity and the willingness to commit time to the affairs of the Group. All candidates must be able to meet the standards set out in the Listing Rules. A candidate who is to be appointed as INED should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

### Board Diversity Policy

Since 1 September 2013, the Board has adopted a board diversity policy. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates is based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 8 Directors. Among which, two of them are INEDs. The Directors are of diverse educational background and possess a wide spectrum of professional qualifications and business experience. The Board is of significant diversity, whether considered in terms of professional and educational background and skills.

### Nomination Committee composition

The NC comprises two INED namely, Mr. Chi Chi Hung, Kenneth and Mr. Zeng Jin and one ED namely, Mr. Cheung Wai Kuen. Mr. Chi Chi Hung, Kenneth was appointed as the Chairman of the NC.

Upon the resignation of Mr. Deng Shichuan as an INED with effect from 3 December 2017, Mr. Deng Shichuan also ceased to be a member of the NC. As such, the Company was unable to fulfil the requirement of having the NC comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules after Mr. Deng's resignation. Following the appointment of Mr. Zeng Jin as a member of the NC, the NC comprises three members including two INEDs which fulfill the requirement of having the NC comprising a majority of INED under Rule 3.25 of the Listing Rules.

### Nomination Committee meetings

During the year ended 31 December 2017, the NC had met once to discuss the structure, size, and composition of the Board; the nomination of new member to the Board and the appointment of senior management to the Group.

The details of the number of the NC meetings held during the year ended 31 December 2017 and the relevant record of individual attendance of the members of the NC, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings" on page 22 of this corporate governance report.

## AUDIT COMMITTEE

### Audit Committee functions

The audit committee of the Company (the "AC") was established on 12 November 2008. It has adopted the terms of reference, which are in line with the Code Provisions set out in the Code under Appendix 14 to the Listing Rules.

The terms of reference of the AC were revised on 31 December 2015. The majority of the members of the AC shall be INED and at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise.

The primary duties of AC are, inter alia, to review and supervise the financial reporting process and internal control system of the Group, to review the financial statements focusing particularly on any changes in accounting policies and practices of the Group; the compliance with accounting standards; and the compliance with the legal requirements, as well as to review the Company's annual reports and interim reports.

### Audit Committee composition

The AC comprises two INED namely, Mr. Chi Chi Hung, Kenneth and Mr. Zeng Jin. Mr. Chi Chi Hung, Kenneth, who is a qualified accountant with appropriate professional qualification and experience in financial matters, was appointed as the chairman of the AC. None of the AC members are members of the former or existing auditors of the Company.

Upon the resignation of Mr. Deng Shichuan as an INED, Mr. Deng Shichuan also ceased to be a member of the AC with effect from 3 December 2017. As such, the number of members in the AC was less than three as required under Rule 3.21 of the Listing Rules after Mr. Deng's resignation. Following the appointment of Mr. Zeng Jin as INED and a member of the AC with effect on 5 March 2018, the said vacancy of Mr. Deng Shichuan was filled.

Following the removal of Mr. James Munn as INED who also ceased to be a member of the AC with effect from 19 January 2018, the number of members in the AC was less than three as required under Rule 3.21 of the Listing Rules. The Company is currently finding a suitable candidate for appointment as INED to meet the requirements relating to the composition of the AC and will make further announcement as and when appropriate.

### Audit Committee meetings

During the year ended 31 December 2017, the AC had met 2 times to discuss the following matters:

- to review the final results of the Group for the year ended 31 December 2016 prior to recommending them to the Board for approval;
- to review the interim results of the Group for the half year ended 30 June 2017 prior to recommending them to the Board for approval;
- to review the selection and re-appointment of the external auditor of the Company for the year ended 31 December 2017 prior to recommending them to the Board for approval and the Board had agreed with the AC's view on this matter;
- to discuss with our external auditor any significant or unusual items reflected in interim and annual reports;
- to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system.

The details of the number of the AC meetings held during the year ended 31 December 2017 and the relevant record of individual attendance of the members of the AC, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings" on page 22 of this corporate governance report.

As at the date of this corporate governance report, the AC has reviewed with management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters including the review of audited consolidated financial statements of the Group for the year ended 31 December 2017 in conjunction with the Group's external auditor.

## AUDITOR'S REMUNERATION

During the year ended 31 December 2017, the Company engaged Deloitte Touche Tohmatsu as the external auditor of the Company to perform audit and non-audit services. The audit fee was approximately HK\$1,810,000 and non-audit service fee for review of preliminary results announcement and annual review of the Group's continuing connected transactions and review of the condensed consolidated financial statements was HK\$470,000 for the year ended 31 December 2017.

## COMPANY SECRETARY

The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary reports to the Chairman and the Chief Executive Officer. From time to time, the company secretary advises the Board on governance matters and ensures the board procedures, applicable laws, rules and regulations are followed. During the year ended 31 December 2017, the company secretary, Mr. Wong Tak Shing, has confirmed that he has taken no less than 15 hours of relevant professional training.

## INTERNAL CONTROL AND RISK MANAGEMENT

### Risk management and internal control:

The Board is accountable for overseeing the Group's risk management and internal control systems and reviewing its effectiveness, while the management and other personnel are responsible for implementing and maintaining the internal controls systems that covers governance, compliance, risk management, financial and operational controls to safeguard the Group's assets and stakeholders' interests. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance against material misstatement or loss.

During the financial year ended 31 December 2017, the Company has identified, evaluated and managed significant risks via the following process:

- reviewing the organizational objectives;
- assessing the risk management philosophy to determine the risk tolerant level of the Group; and
- performing an entity-level risk assessment.

### A. Risk Management and Internal Control Systems Review:

To review the effectiveness of the risk management and internal control systems of the Group and to resolve (if any) material internal control defects of the Group for the year ended 31 December 2017, the Company adopted a COSO ERM – Integrated Framework (2004) which is issued by the Committee of Sponsoring Organizations (“COSO”) of The Treadway Commission to perform the risk assessment (the “Review”) on the Group for the year ended 31 December 2017. The Review is designed to enhance the risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group are identified and appropriately managed to:

- (i) promote consistent risk identification, measurement, reporting and mitigation;
- (ii) set a common risk language to avoid any conflicting terminology or confusion in risk reporting;
- (iii) develop and communicate policies on risk management and controls aligned with the business strategy; and
- (iv) enhance reporting to provide transparency of risks across the Group.

During the Review, the Company conducted the following procedures:

- interviewing with department head and management to identify the risks over the Company business units;
- quantifying the risks by financial data and market searches; and
- prioritizing the identified risks as high, medium and low risk.

The Company will perform the ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

#### **B. Group Risk Report:**

In 2017, the Company conducted an annual Group-wide review based on the Group's ERM Framework to assess the risks relevant to the existing businesses of the Group. The Group Risk Report for 2017 was compiled to cover: (i) the top risks of the Group; and (ii) associated action plans and controls designed to mitigate the top risks, where applicable, at appropriate levels.

#### **C. Internal Audit Function**

During the financial year ended 31 December 2017, the Company had appointed an internal control advisor (the "IC Advisor") to perform internal audit function for the Group. The IC Advisor conducted its internal audit review activities according to the endorsed internal audit scope during the financial year ended 31 December 2017. The IC Advisor reported the internal audit findings and recommendations to both the AC and the management of the Group. The management of the Group agreed on the internal audit findings and adopted the recommendations by the IC Advisor accordingly.

#### **D. Management's confirmation on risk management**

Based on the risk management mechanism and internal audit review activities mentioned in the aforementioned paragraphs, the management of the Group had provided a confirmation to the Board that the Group had maintained an effective risk management mechanism and internal control system during the financial year ended 31 December 2017.

### **COMPLIANCE COMMITTEE**

The Board has assigned a compliance committee (the "CC") comprised of the company secretary and led by an executive Director namely, Mr. Nie Dong to monitor and oversee all transactions in relation to the Listing Rules. The CC is also responsible for performing the functions set out in Code provision D.3.1. The CC will meet to develop, review and monitor the Company's corporate governance policies and practices, to review and monitor training and continuous professional development of Directors and senior management, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors and to review the compliance of the Company and the disclosure in the corporate governance report.

During the year 2017, in relation to the corporate governance functions, the CC has held a meeting and has reviewed the Company's compliance with the Code and the regulatory and statutory requirements, and the disclosure in the corporate governance report.

## SHAREHOLDERS' RIGHTS

### Right to convene General Meeting

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Right to Put Forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at general meetings under the Cayman Islands Companies Law or the articles of association of the Company. Shareholders who wish to propose a resolution may request the Company to convene an extraordinary general meeting following the procedures set out in the preceding paragraph.

### Right to Put Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing for the attention of the Company Secretary of the Company whose contact details are as follows:

Suite No. 1B on 9/F, Tower 1, China Hong Kong City,  
33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong  
Fax: (852) 2366 0138  
Email: rexwong@green-technology.com.hk

The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or relevant committees of the Board to answer the shareholders' questions where appropriate.

### Investor Relations

The Board recognizes the importance of maintaining on-going communications with shareholders and investors for the performance of the Company and establishes different communication channels. These include: the publication of interim and annual reports and/or dispatching circular, notices and other announcements and notifications; conducting annual general meeting or extraordinary general meeting which provides a forum for Shareholders of the Company to raise comments and exchange views with the Board; and updating the websites with the corporate information, achievements and new development of the Group.

To strengthen the investors' relationship, the Company provides different ways for investors to access the soft and hard copies of the Company's information. The printed copies of this annual report in both English and Chinese languages will be dispatched to the Shareholders of the Company on 27 April 2018. Shareholders can obtain corporate communications free of charge by notice in writing to the Company Secretary of the Company. This annual report in both English and Chinese language is also available on the following websites:

- (a) [www.hkex.com.hk](http://www.hkex.com.hk)
- (b) [www.green-technology.com.hk](http://www.green-technology.com.hk)

The board of the Company herein presents the annual report and the audited consolidated financial statements (the "Consolidated Financial Statements") of the Group for the year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and providing corporate management services. Details of the principal activities and other particulars of the subsidiaries are set out in note 40 to the Consolidated Financial Statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 44. The directors do not recommend the payment of a dividend for the year ended 31 December 2017.

## BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in the Chairman Statement as well as the Management Discussion and Analysis on page 3 and pages 4 to 17 of this Annual Report. Discussions on the Group's relationships with its key stakeholders are also set out in the Management Discussion and Analysis on pages 4 to 17 of this Annual Report.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the members to attend and vote at the annual general meeting of the Company ("AGM"), the register of members of the Company will be closed from Friday, 1 June 2018 to Friday, 8 June 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. Members whose names appear on the register of members of the Company at the close of business on Thursday, 31 May 2018 will be entitled to attend and vote at the AGM. All transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 31 May 2018.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2017 are set out in note 15 to the Consolidated Financial Statements.

## SHARE CAPITAL AND SHARE OPTIONS

Save as the issue of new shares for loan capitalisation as disclosed below, there was no movement in the share capital and share options of the Company during the year ended 31 December 2017.



## Directors' Report (Continued)

### LOAN CAPITALISATION

The Company issued 1,700,000,000 new ordinary shares of HK\$0.005 each in the share capital of the Company ("Capitalisation Shares"), of aggregate nominal value of HK\$8,500,000, to Cybernaut Greentech Investment Holding (HK) Limited ("Cybernaut") at a price of HK\$0.08 per share, representing a discount of approximately 24.5% to the closing price of HK\$0.106 per share of the Company as quoted on the Stock Exchange on 29 March 2017 (the date of which the terms of the issue was fixed), by capitalising HK\$136,000,000 of the principal sum of the loan owing to Cybernaut (the "Loan"), on 15 June 2017 (the "Loan Capitalisation").

The principal reason for the Loan Capitalisation is to alleviate some of the Company's debts and improve the Company's financial position and gearing level. According to the Company's latest published unaudited interim results for the six months ended 30 June 2016, it recorded net current liabilities of approximately HK\$130.4 million. The Loan would be repayable on 31 March 2017 and thus was recorded as a current liability of the Company. The Loan Capitalisation enables the Company to settle its existing material current liabilities without immediate cash outflows. It also improved the Company's financial position by reducing the gearing level, broadening the capital base and strengthening the net assets value. In addition, it enabled the Company to reserve its available cash for business development.

### DISTRIBUTABLE RESERVE OF THE COMPANY

As at 31 December 2017, the Company's reserves available for distribution to shareholders were as follows:

	<b>HK\$'000</b>
Share premium	950,427
Accumulated losses	(394,516)
	555,911

Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

### TAXATION OF HOLDERS OF SHARES

#### (a) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profit tax.

#### (b) Cayman Islands

Under present Cayman Islands law, transfer or other dispositions of Shares are exempted from Cayman Islands stamp duty.

#### (c) Professional tax advice recommended

Intending holders of Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares.

## DIRECTORS

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

### Executive Directors

Mr. LI Dong (appointed on 15 August 2017)  
 Mr. NIE Dong  
 Mr. CHEUNG Wai Kuen  
 Mr. WANG Chuanhu  
 Dr. SHI Simon Hao (resigned on 30 September 2017)  
 Ms. XIE Yue (appointed on 15 August 2017)

### Non-executive Director

Tan Sri Dato' KOO Yuen Kim P.S.M., D.P.T.J. J.P  
 (appointed on 20 March 2018)

### Independent Non-executive Directors

Mr. CHI Chi Hung, Kenneth  
 Mr. DENG Shichuan (resigned 3 December 2017)  
 Mr. James MUNN (removed on 19 January 2018)  
 Mr. ZENG Jin (appointed on 1 March 2018)

In accordance with the provisions of the Company's articles of association, Mr. WANG Chuanhu and Mr. CHI Chi Hung, Kenneth will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Pursuant to Article 86(3) of the Company's article of association, the Director shall have the power from time to time and at any time to appoint any person as Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such general meeting but he/she shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation in case he/she retires at an annual general meeting. Mr. Li Dong, Ms. Xie Yue, Tan Sri Dato' KOO Yuen Kim P.S.M., D.P.T.J. J.P and Mr. Zeng Jin will hold office until the first general meeting of the Company and being eligible, will offer himself/herself for re-election at such general meeting.

Dr. Shi Simon Hao resigned as executive Director with effect from 30 September 2017 due to his other business commitments. Mr. Deng Shichuan resigned as independent non-executive Director with effect from 3 December 2017 as the three-year term of his service agreement expired.

## DIRECTORS' SERVICE CONTRACTS

Mr. Nie Dong has entered into a service contract with the Company for a term of one year commencing from 1 January 2014 until terminated by not less than one month's notice in writing served by either party on the other. If the service contract is terminated by the Company without such notice, it is subject to compensation payable to Mr. Nie by the Company in the amount equivalent to three months' salary. The contract has been renewed with a term of three years commencing from 1 January 2016 until terminated by not less than six months' notice in writing served by either party on the other.

Each of Mr. Chi Chi Hung, Kenneth and Mr. Cheung Wai Kuen have entered into a service contract with the Company for a term of three years commencing on 12 October 2017 and 4 December 2017 respectively until terminated by not less than three months' notice in writing served by either party on the other. Such contracts were revised on 1 January 2016 to the effect that the notice period required for terminating the contracts will be changed to 3 months.

Each of Ms. Xie Yue, Mr. Zeng Jin, Mr. Li Dong and Tan Sri Dato' Koo Yuen Kim have entered into a service contract with the Company for a term of three years commencing on 1 November 2017, 28 February 2018, 1 March 2018 and 19 March 2018 respectively until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Wang Chuanhu has entered into a service contract with the Company for a term of one year commencing from 1 April 2018 until terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

## Directors' Report (Continued)

### PERMITTED INDEMNITY PROVISION

Article 167(1) of the Company's Articles of Association provide that every Director or other officer of the Company shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty provided that the indemnity shall not be extended to any matter in respect of any fraud or dishonesty which may be attached to any of the relevant Director or officer of the Company.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

As at 31 December 2017, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code in the Listing Rules.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

Save as disclosed below, the Company had not been notified of any other person who had an interest or short position in the shares and underlying shares of the Company. The register required to be kept under section 336 of the SFO shows that as at 31 December 2017, the following persons/entities has interest and/or short position in the shares or underlying shares of the Company:

#### Long position in Shares

Name of substantial Shareholder	Capacity	No. of ordinary shares held (long position)	% of issued share capital (Note 5)
Ren Ming Hong (Note 1)	Interest of controlled corporation	1,700,000,000	24.89%
Amazing Express International Limited (Note 1)	Interest of controlled corporation	1,700,000,000	24.89%
Excel Jumbo International Limited (Note 1)	Interest of controlled corporation	1,700,000,000	24.89%
Yu Tao (Note 2)	Interest of controlled corporation	1,700,000,000	24.89%
新余銘沃投資管理中心 (Notes 2 and 3)	Interest of controlled corporation	1,700,000,000	24.89%
上海港美信息科技中心 (Notes 2 and 3)	Interest of controlled corporation	1,700,000,000	24.89%
杭州賽旭通投資管理有限公司 (Notes 3)	Interest of controlled corporation	1,700,000,000	24.89%
北京賽伯樂綠科投資管理有限公司 (Note 3)	Interest of controlled corporation	1,700,000,000	24.89%
賽伯樂綠科(上海)投資管理有限公司 (Note 3)	Interest of controlled corporation	1,700,000,000	24.89%
賽伯樂綠科(深圳)投資管理有限公司 (Note 3)	Interest of controlled corporation	1,700,000,000	24.89%
Zhu Min (Note 3)	Interest of controlled corporation	1,700,000,000	24.89%
杭州悠然科技有限公司 (Note 3)	Interest of controlled corporation	1,700,000,000	24.89%
賽伯樂投資集團有限公司 (Note 3)	Interest of controlled corporation	1,700,000,000	24.89%
Cybernaut Greentech Investment Holding (HK) Limited (i.e. Cybernaut) (Notes 1, 2 and 3)	Beneficial owner	1,700,000,000	24.89%
Tan Sri Dato' KOO Yuen Kim P.S.M., D.P.T.J. J.P (Note 4)	Beneficial owner	856,071,766	12.53%
Xie Haiyu (i.e. Mr. Xie)	Beneficial owner	606,117,360	8.87%

## Notes:

- (1) Ren Ming Hong controls 100% of the equity interest in Amazing Express International Limited, which controls 100% of the equity interest in Excel Jumbo International Limited. Excel Jumbo International Limited controls 50% of the equity interest in Cybernaut. Therefore, Ren Ming Hong, Amazing Express International Limited and Excel Jumbo International Limited are deemed to be interested in 1,700,000,000 shares in the Company held by Cybernaut.
- (2) Yu Tao controls 99% of the equity interest in 新余銘沃投資管理中心, which controls 99% of the equity interest in 上海港美信息科技中心. 上海港美信息科技中心 controls 50% of the equity interests in Cybernaut. Therefore, Yu Tao, 新余銘沃投資管理中心 and 上海港美信息科技中心 are deemed to be interested in 1,700,000,000 shares in the Company held by Cybernaut.
- (3) Zhu Min controls 90% of the equity interest in 杭州悠然科技有限公司, which controls 91% of the equity interest in 賽伯樂投資集團有限公司. 賽伯樂投資集團有限公司 controls 50% of the equity interest in 北京賽伯樂綠科投資管理有限公司. 北京賽伯樂綠科投資管理有限公司 controls 95% of the equity interest in 賽伯樂綠科(上海)投資管理有限公司, which controls 50% of the equity interest in 杭州賽旭通投資管理有限公司, 杭州賽旭通投資管理有限公司 controls 1% of the equity interest in 上海港美信息科技中心. Furthermore, 北京賽伯樂綠科投資管理有限公司 controls 95% of the equity interest in 賽伯樂綠科員(深圳)投資管理有限公司, which holds 1% of the equity interest in 新余銘沃投資管理中心. 新余銘沃投資管理中心 controls 99% of the equity interest in 上海港美信息科技中心. 上海港美信息科技中心 controls 50% of the equity interests in Cybernaut. Therefore, Zhu Min, 杭州悠然科技有限公司, 賽伯樂投資集團有限公司, 北京賽伯樂綠科投資管理有限公司, 賽伯樂綠科(上海)投資管理有限公司, 杭州賽旭通投資管理有限公司 and 賽伯樂綠科員(深圳)投資管理有限公司 are deemed to be interested in 1,700,000,000 shares in the Company held by Cybernaut.
- (4) Tan Sri Dato' KOO Yuen Kim P.S.M., D.P.T.J. J.P became a non-executive Director with effect from 20 March 2018.
- (5) As at 31 December 2017, the total number of issued shares of the Company was 6,830,000,000 ordinary shares of HK\$0.005 each of the Company.

## DIRECTORS' INTEREST AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

None of the Directors or controlling shareholders of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding companies, or any of its subsidiaries was a party subsisting during the year ended 31 December 2017.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2017 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.

## NON-COMPETING UNDERTAKING

During the year ended 31 December 2017, none of the Directors had any interest in a business which competed with or might compete with the business of the Group.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's largest customer and supplier accounted for around 100% of the total sales and purchases for the year, respectively.

At no time during the year ended 31 December 2017 did a director, a close associate of a director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's top five largest customers or suppliers.

## CONTINUING CONNECTED TRANSACTIONS

### (a) Tin concentrates supply

On 19 February 2016, YTPAH entered into the tin supply contract with YTATR, pursuant to which YTPAH agreed to supply tin concentrates (the "Tin Supply Contract") to YTATR for the period from 1 February 2016 to 31 January 2019. YTPAH is a wholly-owned subsidiary of YTHK, which is owned as to 82% by the Company and 18% by Yunnan Tin PRC. Yunnan Tin PRC indirectly holds 100% equity

interest in YTATR. As such, YTATR is a connected person of the Company by virtue of being a subsidiary of the substantial shareholder of YTHK. Accordingly, the transaction contemplated under the Tin Supply Contract constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The annual caps for the transactions contemplated under the Tin Supply Contract are approximately HK\$484 million from 1 February 2016 to 31 December 2016, HK\$655 million for the year ending 31 December 2017, HK\$814 million for the year ending 31 December 2018 and HK\$84 million from 1 January 2019 to 31 January 2019. The price of tin concentrates per dry metric ton was agreed by the parties to the Tin Supply Contract after taking into account that (i) the LME cash settlement average price of tin metal; (ii) the treatment charge per dry metric ton; (iii) deduction based on the final tin content; and (iv) penalty for impurity. It was agreed that the YTATR pays 85% of the provisional value of each lot within three working days after the YTATR receives all shipment documents and the remaining part will be settled within 10 working days after the final analysis and weights of tin concentrates confirmed by both YTPAH and YTATR.

The revenue under the Tin Supply Contract for year ended 31 December 2017 amounted to approximately HK\$428,938,000.

## (b) Copper concentrates supply

On 19 February 2016, YTPAH entered into the copper supply contract with YTATR, pursuant to which YTPAH agreed to supply copper concentrates (the "Copper Supply Contract") to YTATR for the period from 19 February 2016 to 31 January 2019. As such, with disclosed in (a) above, YTATR is a connected person of the Company by virtue of being a subsidiary of the substantial shareholder of YTHK. Accordingly, the transaction contemplated under the Copper Supply Contract constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The annual caps for the transactions contemplated under the Copper Supply Contract are approximately HK\$10.5 million from 19 February 2016 to 31 December 2016, approximately HK\$14.9 million for the year ending 31 December 2017, approximately HK\$18.6 million for the year ending 31 December 2018 and approximately HK\$1.9 million from 1 January 2019 to 31 January 2019.

It was agreed that YTATR shall pay 90% of the provisional value of each lot of the copper concentrates based on the average official LME cash price within 5 days prior to the bill of lading date by telegraphic transfer within 15 working days after YTATR received all shipment documents. Final settlement value payable by YTATR is calculated by the adjustment of payable metal and the deduction of charges and penalties from the final commercial value. The remaining payment for final settlement value shall be settled no later than 5 working days after the final analysis and weights of the copper concentrates were confirmed by both YTATR and YTPAH and no later than the fourth calendar month following the month of issuance of the bill of lading as evidenced by the date of the bill of lading.

There is no revenue under the Copper Supply Contract for the year ended 31 December 2017.

## (c) Annual review

The INED have reviewed and confirmed that the continuing connected transactions contemplated under the Tin Supply Contract and the Copper Supply Contract were entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Pursuant to 14A.56 of the Listing Rules, the Company has engaged the Company's external auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's

Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified assurance report in respect of the continuing connected transactions as disclosed by the Group in pages 35 to 37 in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. The Company confirms that they have complied with the disclosure requirements with respect to those continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

## RELATED PARTY TRANSACTIONS

Details of the information in relation to the related party transactions of the Group during the year are set out in note 36 to the Consolidated Financial Statements. The related party transactions constitute continuing connected transactions of the Company and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

## EMOLUMENT POLICY

The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the Directors will be decided by the Board based on the recommendation of the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2017.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## RETIREMENT BENEFIT SCHEMES

Other than operating a Hong Kong Mandatory Provident Fund Scheme and participating in the state-managed retirement benefit scheme in Australia and the PRC, the Group has not operated any other retirement benefit schemes for the Group's employees. Particulars of the retirement benefit schemes are set out in note 34 to the Consolidated Financial Statements.

## CORPORATE GOVERNANCE CODE

In the opinion of the Directors, except the deviation disclosed in the section headed Deviations from the Code Provisions in the Corporate Governance Report, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2017.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2017.

## Directors' Report (Continued)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### AUDIT COMMITTEE

The audit committee of the Company meets with the Group's senior management and external auditor regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group and reports directly to the Board.

The Group's consolidated financial statements for the year ended 31 December 2017 have been reviewed by the audit committee of the Company, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2017 and as at the latest practicable date prior to the issue of this report (i.e 27 April 2018).

### FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 106.

### AUDITOR

The Company has not changed its auditor in any of the preceding three years.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**Li Dong**  
*Chairman*

26 March 2018

**Deloitte.**

德勤

**TO THE SHAREHOLDERS OF  
GREENTECH TECHNOLOGY INTERNATIONAL LIMITED  
(FORMERLY KNOWN AS “L’SEA RESOURCES INTERNATIONAL HOLDINGS LIMITED”)**

*(incorporated in the Cayman Islands with limited liability)*

## **OPINION**

We have audited the consolidated financial statements of Greentech Technology International Limited (formerly known as “L’sea Resources International Holdings Limited”) (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 44 to 105, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



# Independent Auditor's Report (Continued)

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

### How our audit addressed the key audit matter

#### ***Impairment of mining related property, plant and equipment and exploration and evaluation assets***

We identified the impairment of mining related property, plant and equipment and exploration and evaluation assets as a key audit matter due to significant judgement involved in the impairment assessment.

For the annual impairment testing of the Group's mining related property, plant and equipment (which mainly include the mine properties and developments, buildings, construction in progress and machineries for the mine operation) and exploration and evaluation assets, the recoverable amount of the cash-generating unit was determined based on the higher of fair value less costs of disposal and value in use which is based on discounted cash flow method taking into account a suitable discount rate. Significant change in future tin price and exchange rate of United States Dollar ("USD") against Australian Dollar ("AUD"), among the other things, may result in additional impairment on the mining assets.

The Group has mining related property, plant and equipment and exploration and evaluation assets of HK\$409.5 million and HK\$142.9 million respectively as at 31 December 2017. Reversal of impairment loss was recognised in respect of the mining related property, plant and equipment and exploration and evaluation assets of HK\$40.5 million and HK\$14.2 million during the current year. Further details of the impairment testing on the Group's mining related property, plant and equipment and exploration and evaluation assets are outlined in note 15 to the consolidated financial statements.

Our procedures in relation to the impairment of mining related property, plant and equipment and exploration and evaluation assets included:

- engaging our internal valuation expert to evaluate the appropriateness of the model used by management to determine the recoverable amount of the cash-generating unit;
- evaluating the reasonableness of the key assumptions (including the tin price, the AUD/USD exchange rates and the discount rates) used in the model against external data, historical performance and expected future performance of the cash-generating unit;
- checking the input data to supporting documentation; and
- considering the sufficiency of the disclosures in respect of impairment testing included in the consolidated financial statements.

## **OTHER INFORMATION**

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## Independent Auditor's Report (Continued)

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Wang Hei.

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

26 March 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	5	428,938	377,628
Cost of sales		(376,663)	(332,763)
Gross profit		52,275	44,865
Interest income		599	655
Administrative expenses		(31,080)	(42,650)
Other expenses	7	(6,978)	(4,389)
Other gains and losses	8	16,529	14,067
Finance costs	9	(14,195)	(10,420)
Reversal of impairment loss recognised on property, plant and equipment	15	40,498	119,176
Reversal of impairment loss recognised on exploration and evaluation assets	16	14,176	51,245
Profit before taxation		71,824	172,549
Taxation	11	(23,190)	(63,427)
Profit for the year	12	48,634	109,122
Other comprehensive income (expense) for the year <i>Item that will not be reclassified to profit or loss:</i> Exchange difference arising on translation to presentation currency		30,777	(5,921)
Total comprehensive income for the year		79,411	103,201
Profit for the year attributable to:			
Owners of the Company		25,402	84,119
Non-controlling interests		23,232	25,003
		48,634	109,122
Total comprehensive income for the year attributable to:			
Owners of the Company		54,651	78,579
Non-controlling interests		24,760	24,622
		79,411	103,201
Earnings per share			
Basic (HK cents)	13	0.4	1.6
Diluted (HK cents)	13	n/a	1.6

n/a: not applicable

# Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	409,513	337,967
Exploration and evaluation assets	16	142,934	129,836
Deposits	17	14,099	11,523
		<b>566,546</b>	479,326
<b>Current assets</b>			
Inventories	18	34,657	19,585
Trade receivables	19	55,499	53,276
Other receivables, prepayments and deposits		8,936	5,272
Held-for-trading investment	20	2,820	3,920
Bank balances and cash	21	190,441	160,499
		<b>292,353</b>	242,552
<b>Current liabilities</b>			
Trade payables	22	40,820	22,026
Other payables and accruals	23	104,178	95,264
Other borrowing	24	59,793	184,055
Obligations under finance lease	25	19,470	16,562
Tax payables		7,450	—
		<b>231,711</b>	317,907
Net current assets (liabilities)		<b>60,642</b>	(75,355)
Total assets less current liabilities		<b>627,188</b>	403,971

# Consolidated Statement of Financial Position (Continued)

As at 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Capital and reserves			
Share capital	26	34,150	25,650
Reserves		476,812	294,661
Equity attributable to owners of the Company		510,962	320,311
Non-controlling interests		9,352	(10,029)
Total equity		520,314	310,282
Non-current liabilities			
Obligations under finance lease	25	22,576	38,137
Deferred tax liabilities	27	63,817	43,620
Provision for rehabilitation	28	20,481	11,932
		106,874	93,689
		627,188	403,971

The consolidated financial statements on pages 44 to 105 were approved and authorised for issue by the Board of Directors on 26 March 2018 and are signed on its behalf by:

**LI DONG**  
DIRECTOR

**NIE DONG**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital	Share premium	Translation reserve	Special reserve	Other reserve	Convertible bonds		Sub-total	Non-controlling interests	Total
						equity reserve	Accumulated losses			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2016	25,650	822,927	(109,328)	7,800	(1,280)	133,262	(637,299)	241,732	(34,651)	207,081
Profit for the year	—	—	—	—	—	—	84,119	84,119	25,003	109,122
Exchange difference arising on translation to presentation currency	—	—	(5,540)	—	—	—	—	(5,540)	(381)	(5,921)
Total comprehensive (expense) income for the year	—	—	(5,540)	—	—	—	84,119	78,579	24,622	103,201
Transfer upon the redemption of convertible bonds	—	—	—	—	—	(133,262)	133,262	—	—	—
	—	—	(5,540)	—	—	(133,262)	217,381	78,579	24,622	103,201
At 31 December 2016	25,650	822,927	(114,868)	7,800	(1,280)	—	(419,918)	320,311	(10,029)	310,282
Profit for the year	—	—	—	—	—	—	25,402	25,402	23,232	48,634
Exchange difference arising on translation to presentation currency	—	—	29,249	—	—	—	—	29,249	1,528	30,777
Total comprehensive income for the year	—	—	29,249	—	—	—	25,402	54,651	24,760	79,411
Shares issued and allotted (note 26)	8,500	127,500	—	—	—	—	—	136,000	—	136,000
Dividend paid to non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	(5,379)	(5,379)
	8,500	127,500	—	—	—	—	—	136,000	(5,379)	130,621
At 31 December 2017	34,150	950,427	(85,619)	7,800	(1,280)	—	(394,516)	510,962	9,352	520,314

Note (a): Special reserve is arisen from the reorganisation in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

Note (b): Other reserve represented the difference between the considerations paid for acquisition of additional interest in a subsidiary in prior years and the carrying amount of non-controlling interests (being the proportionate share of the carrying amount of the net asset of that subsidiary).



# Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK\$'000	2016 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	71,824	172,549
Adjustments for:		
Interest income	(599)	(655)
Interest expense	14,195	10,420
Loss (gain) on disposal of property, plant and equipment	422	(78)
Reversal of impairment loss recognised on other receivables	—	(175)
Reversal of impairment loss recognised on property, plant and equipment	(40,498)	(119,176)
Reversal of impairment loss recognised on exploration and evaluation assets	(14,176)	(51,245)
Depreciation of property, plant and equipment	125,220	78,846
Adjustment on provision for rehabilitation cost	7,255	(737)
Fair value change on held for trading investment	1,100	592
Unrealised foreign exchange gain	(4,531)	—
Operating cash flows before movements in working capital	160,212	90,341
Increase in inventories	(13,017)	(7,203)
Decrease (increase) in trade receivables	2,583	(34,059)
(Increase) decrease in other receivables, prepayments and deposits	(4,613)	1,758
Increase (decrease) in trade payables	16,446	(18,074)
(Decrease) increase in other payables and accruals	(13,328)	14,266
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>148,283</b>	47,029
<b>INVESTING ACTIVITIES</b>		
Interest received	599	655
Purchase of property, plant and equipment	(89,748)	(38,633)
Proceeds from disposal of property, plant and equipment	696	200
Exploration and evaluation expenditure incurred	(9,330)	(3,297)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(97,783)</b>	(41,075)

# Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2017

	2017 HK\$'000	2016 HK\$'000
FINANCING ACTIVITIES		
Interest paid	(2,402)	(1,521)
Repayment of obligations under finance leases	(17,285)	(6,364)
Dividend paid to non-controlling shareholder of a subsidiary	(5,379)	—
CASH USED IN FINANCING ACTIVITIES	<b>(25,066)</b>	(7,885)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>25,434</b>	(1,931)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>4,508</b>	(1,535)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<b>160,499</b>	163,965
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by Bank balances and cash	<b>190,441</b>	160,499

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 1. GENERAL INFORMATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 22 January 2008. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

Pursuant to a special resolution passed by the shareholders at an extraordinary general meeting of the Company held on 18 October 2017, the name of the Company was changed from “L’sea Resources International Holdings Limited 利海資源國際控股有限公司” to “Greentech Technology International Limited 綠科科技國際有限公司”. The change of the name became effective on 20 October 2017.

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The major subsidiary of the Company engages in exploration, development and mining of tin and copper bearing ores in Australia through a joint operation with details set out in notes 14 and 40. The principal activities of other subsidiaries are set out in note 40.

The Company’s functional currency is Australian Dollar (“AUD”). The consolidated financial statements are presented in Hong Kong Dollar (“HK\$”) as the directors of the Company consider that HK\$ is the appropriate presentation currency for the convenience of the users of the consolidated financial statements.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

### Amendments to HKAS 7 “Disclosure Initiative”

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

#### Amendments to HKAS 7 “Disclosure Initiative” (Continued)

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 35. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 35, the application of these amendments has had no impact on the Group’s consolidated financial statements.

#### New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

Except for the new and revised HKFRSs below, the directors of the Company anticipate that the application of all other new and revised HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and revised HKFRSs in issue but not yet effective (Continued)

#### HKFRS 9 “Financial Instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and revised HKFRSs in issue but not yet effective (Continued)

#### HKFRS 9 “Financial Instruments” (Continued)

Based on the Group’s financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

##### *Classification and measurement:*

Debt instruments classified as loans and receivables carried at amortised cost (i.e. trade receivables, other receivables and deposits): these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

##### *Impairment:*

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and revised HKFRSs in issue but not yet effective (Continued)

#### HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

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

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

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

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company have assessed the impact on application of HKFRS 15 and did not anticipate a material impact on the timing and amounts of revenue recognised in the respective reporting periods. However, application of HKFRS 15 may have impact on the following areas:

- HKFRS 15 requires certain additional disclosures, in particular in relation to the impact of provisional pricing adjustments; and
- the Group is responsible for providing shipping services after the date at which control of the goods passes to the customer at the loading port. Presently, the Group recognises such freight revenue in full on loading. HKFRS 15 views this freight service as a separate performance obligation and therefore requires revenue and the associated cost to be recognised when the freight service has been provided. However, in light of the insignificance of shipping service obligation to the entire contracts of sale of goods, the Group has determined not to separately recognise the freight revenue and its associated cost. The directors of the Company anticipate that the application of HKFRS 15 will have no material impact on the results and financial position of the Group.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and revised HKFRSs in issue but not yet effective (Continued)

#### HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK\$532,000 as disclosed in note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

#### Basis of consolidation

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

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

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

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

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

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

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

#### Interest in joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Interest in joint operation (Continued)

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

### Interest in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of investment (include goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below.

Revenue from the sale of goods is recognised when the goods are delivered and title have passed.

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

#### Property, plant and equipment

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

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

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

Mine properties and developments (including the main and auxiliary mine shafts, underground tunnels and open-pit platforms) are depreciated using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ores mine.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less identified impairment loss.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation assets as set may exceed its recoverable amount. An impairment loss is recognised in profit or loss.

When the technical feasibility and commercial viability of extracting natural resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as mine properties and developments. These assets are assessed for impairment before reclassification.

### Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually. When one of the following events or changes in circumstances, which is not exhaustive, indicate that the carrying amount may not be recoverable has occurred, impairment test is performed in accordance with HKAS 36 "Impairment of Assets".

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leasing

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

#### The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

#### Foreign currencies

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

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

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

#### Borrowing costs

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

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

#### Retirement benefit costs

Payments to state-managed retirement benefit schemes in Australia (superannuation fund) and the People's Republic of China (the "PRC") and the Mandatory Provident Fund Scheme in Hong Kong are recognised as expenses when employees have rendered service entitling them to the contributions.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

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

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

Current and deferred tax are recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on pro-rata basis based on the carrying amount of each asset in unit. The carrying amount of an asset is not reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised as an expense immediately in profit or loss.

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

### Inventories

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

### Financial instruments

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

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



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets

The Group's financial assets are classified into investment held for trading and loans and receivables. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

#### Investment held for trading

A financial asset is classified as held for trading if:

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

Investment held for trading is stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Fair value is determined in the manner described in note 29(c).

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, refundable deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

##### Impairment of financial assets

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

For loans and receivables, objective evidence of impairment could include:

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial liabilities and equity instruments

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

#### Equity instruments

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

#### Effective interest method

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

Interest expense is recognised on an effective interest basis.

#### Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables and accruals and other borrowing are subsequently measured at amortised cost, using the effective interest method.

#### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Provision for rehabilitation cost

Provision for rehabilitation cost is recognised when the Group has a present obligation (legal or constructive) as a result of exploration, development and production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for rehabilitation cost is the best estimate of the present value of the expenditure required to settle the restoration obligation at the end of the reporting period, based on current legal and other requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the provision at the end of the reporting period.

The initial estimate of the rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated on the same basis as the related asset.

Changes in the estimation of the rehabilitation provision that result from changes in the estimated timing or amount of cash flows, including the effects of revisions to estimated lives of operation or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the period it occurred. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability and does not reflect risks for which future cash flow estimates have been adjusted. If a decrease in liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss. Unwinding of the effect of discounting on the provision is recognised as finance cost.

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make various estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience, expectations of future and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Impairment of mining related property, plant and equipment and exploration and evaluation assets

Determining whether mining-related property, plant and equipment (which mainly includes the buildings, construction in progress and machineries for the mine operation) and exploration and evaluation assets are impaired requires an estimation of the value in use of the cash-generating units to which these assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units (i.e. estimation of the total proven and probable reserves of the ore mines and future market price of tin concentrate) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an additional impairment loss may arise.

In view of the continuous increase in tin price during the current and prior year, the recoverable amount of the cash-generating units of the Renison underground mine is higher than its carrying value as at 31 December 2017 and 2016. Accordingly, reversal of impairment losses on mining related property, plant and equipment and exploration and evaluation assets of approximately HK\$40,498,000 and HK\$14,176,000 (2016: HK\$119,176,000 and HK\$51,245,000), respectively are recognised in profit or loss for the years ended 31 December 2017 and 2016.

Details of impairment assessment on the cash-generating units is disclosed in note 15.

### Depreciation on mine properties and developments included in property, plant and equipment

Mine properties and developments are depreciated using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mines.

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data becomes available from ongoing development activities. The reserve estimates are updated quarterly taking into account recent production and technical information about each mine. If the quantities of reserves are different from current estimates, it will result in significant changes to depreciation expenses of mine properties and developments.

The carrying amounts of the mine properties and developments as at 31 December 2017 and 2016 are disclosed in note 15.

## 5. REVENUE

Revenue represents the net amounts received and receivable for tin or copper concentrate sold in the normal course of business, net of sales related taxes.

## 6. SEGMENT INFORMATION

The executive directors of the Company have been identified as chief operating decision makers. The executive directors consider exploration, development and mining of tin and copper bearing ores in Australia ("Mining Operations"), held under the joint operation (set out in note 14), is the principal activity of the Group and represents one single segment. Segment information is not reported to the executive directors of the Company for resource allocation and assessment purpose.

Segment revenue, results, assets and liabilities are therefore the same as the amounts presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position.

### Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2017 HK\$'000	2016 HK\$'000
Sales of tin concentrate	428,938	375,176
Sales of copper concentrate	—	2,452
	<b>428,938</b>	<b>377,628</b>

### Geographical information

The Group's Mining Operations are located in Australia.

The revenue of the Group is derived from the sole customer located in Australia based on the place of incorporation of the customer.

As at 31 December 2017, non-current assets (excluding deposits) of the Group of HK\$551,284,000 (2016: HK\$465,484,000), HK\$955,000 (2016: HK\$2,018,000) and HK\$208,000 (2016: HK\$301,000) were located in Australia, the PRC and Hong Kong, respectively.

### Information about the sole customer

	2017 HK\$'000	2016 HK\$'000
Yunnan Tin Australia TDK Resources Pty Limited ("YTATR")*	428,938	377,628

\* YTATR is a subsidiary of the non-controlling shareholder of a subsidiary of the Company.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 7. OTHER EXPENSES

The amount comprises legal and professional fees of HK\$6,978,000 (2016: HK\$4,389,000) for the year ended 31 December 2017.

## 8. OTHER GAINS AND LOSSES

	2017 HK\$'000	2016 HK\$'000
Fair value change of held-for-trading investment	(1,100)	(592)
Reversal of impairment loss on other receivables	—	175
Net foreign exchange gain	18,051	14,406
(Loss) gain on disposal of property, plant and equipment	(422)	78
	<b>16,529</b>	14,067

## 9. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interests on obligations under finance leases	2,402	974
Unwinding of discount on provision for rehabilitation (note 28)	55	565
Effective interest expense on convertible bonds	—	679
Interest on other borrowing (Note)	11,738	7,655
Other finance cost	—	547
	<b>14,195</b>	10,420

Note: Details of the other borrowing are set out in note 24.

## 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES EMOLUMENTS

### Directors' and chief executive's emoluments

The emoluments paid or payable to each of the nine (2016: seven) directors of the Company were as follows:

	Executive Directors (note (ii))						Independent Non-Executive Directors (note (iii))			Total HK\$'000
	Li Dong HK\$'000 (note (v))	Nie Dong HK\$'000 (note (iv))	Cheung Wai Kuen HK\$'000	Wang Chuanhu HK\$'000	Xie Yue HK\$'000 (note (v))	Dr. Shi Simon Hao HK\$'000 (note (vi))	Chi Chi Hung Kenneth HK\$'000	Deng Shichuan HK\$'000 (note (vii))	Munn James HK\$'000 (note (viii))	
<b>For the year ended 31 December 2017</b>										
Fees	—	1,974	650	265	180	1,191	199	184	184	4,827
Other emoluments:										
Salaries and allowances	—	1,101	715	—	—	—	—	—	—	1,816
Contributions to retirement benefit scheme	—	18	18	—	—	—	—	—	—	36
Discretionary bonus (note (i))	—	—	—	—	—	397	—	—	—	397
Other benefit	—	—	—	—	—	—	—	49	49	98
<b>Total emoluments</b>	<b>—</b>	<b>3,093</b>	<b>1,383</b>	<b>265</b>	<b>180</b>	<b>1,588</b>	<b>199</b>	<b>233</b>	<b>233</b>	<b>7,174</b>

	Executive Directors (note (ii))				Independent Non-Executive Directors (note (iii))				Total HK\$'000
	Nie Dong HK\$'000 (note (iv))	Cheung Wai Kuen HK\$'000	Wang Chuanhu HK\$'000	Dr. Shi Simon Hao HK\$'000	Chi Chi Hung Kenneth HK\$'000	Deng Shichuan HK\$'000	Munn James HK\$'000		
<b>For the year ended 31 December 2016</b>									
Fees	1,787	600	252	1,512	189	189	189	4,718	
Other emoluments:									
Salaries and allowances	1,102	650	—	—	—	—	—	1,752	
Contributions to retirement benefit scheme	18	18	—	—	—	—	—	36	
Discretionary bonus (note (i))	164	100	21	126	—	—	—	411	
Other benefit	—	—	—	—	16	16	16	48	
<b>Total emoluments</b>	<b>3,071</b>	<b>1,368</b>	<b>273</b>	<b>1,638</b>	<b>205</b>	<b>205</b>	<b>205</b>	<b>6,965</b>	



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES EMOLUMENTS (Continued)

### Directors' and chief executive's emoluments (Continued)

Notes:

- (i) The bonus is discretionary and is determined by the remuneration committee by reference to the individual performance of the director.
- (ii) The executive directors' emoluments shown above were paid for the services in connection with the management of the affairs of the Company and the Group.
- (iii) The independent non-executive directors' emoluments shown above were paid for the services as directors of the Company.
- (iv) Nie Dong was the Chief Executive Officer of the Company for the years ended 31 December 2017 and 2016 and his emoluments disclosed above include those services rendered by him as Chief Executive Officer.
- (v) Li Dong and Xie Yue were appointed as executive directors of the Company with effective from 15 August 2017.
- (vi) Dr. Shi Simon Hao resigned as executive director of the Company with effective from 30 September 2017.
- (vii) Deng Shichuan resigned as independent non-executive director of the Company with effective from 3 December 2017.
- (viii) Munn James was removed as independent non-executive director of the Company at an extraordinary general meeting of the Company and with effective from 19 January 2018.

### Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2016: three) were directors of the Company, details of whose emoluments are included above. The emoluments of the remaining two (2016: two) individuals were as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and allowances	3,084	3,808
Discretionary bonus	—	217
Contributions to retirement benefit scheme	36	36
	<b>3,120</b>	<b>4,061</b>

The emolument of the remaining two (2016: two) individuals for the year was within the following bands:

	2017 No. of employees	2016 No. of employees
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	—	1

During both years, no emoluments were paid by the Group to the directors, chief executive or the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office and no directors or chief executive of the Company waived or agreed to waive any emoluments.

## 11. TAXATION

	2017 HK\$'000	2016 HK\$'000
The taxation comprises:		
Current tax — Australian Company Tax	7,299	—
Deferred tax charge for the year (note 27)	15,891	63,427
	<b>23,190</b>	63,427

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the subsidiaries incorporated in Hong Kong have no assessable profits for both years.

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

Under Australian tax law, the tax rate used for the year is 30% (2016: 30%) on taxable profits on Australian incorporated entities. No tax is payable on the assessable profit for the year ended 31 December 2016 arose in Australia since the assessable profit was wholly absorbed by tax losses brought forward.

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

	2017 HK\$'000	2016 HK\$'000
Profit before taxation	71,824	172,549
Tax at Australia Profits Tax rate of 30% (2016: 30%)	21,547	51,765
Tax effect of expenses not deductible for tax purpose	3,621	11,627
Tax effect of income not taxable for tax purpose	(2,332)	(171)
Tax effect of tax losses not recognised	354	206
Taxation for the year	<b>23,190</b>	63,427

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 12. PROFIT FOR THE YEAR

	2017 HK\$'000	2016 HK\$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	2,280	2,300
Cost of inventories recognised as an expense	376,663	332,763
Depreciation of property, plant and equipment	125,220	78,846
Minimum lease payments in respect of rented premises	2,494	2,515
Staff costs (including directors' emoluments (as disclosed in note 10))		
— Salaries and other benefits	92,348	75,679
— Contributions to retirement benefit schemes	7,772	6,718
	<b>100,120</b>	<b>82,397</b>

## 13. EARNINGS PER SHARE

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

	2017 HK\$'000	2016 HK\$'000
Profit for the purposes of basic earnings per share:		
— Profit for the year attributable to owners of the Company	25,402	84,119
Effect of dilutive potential ordinary shares:		
— Effective interest expense on convertible bond	n/a	679
Earnings for the purpose of diluted earnings per share	n/a	84,798

  

	2017 Number of shares	2016 Number of shares
Number of ordinary shares for the purpose of basic earnings per share	6,061,506,849	5,130,000,000
Effect of dilutive potential ordinary shares:		
— Convertible bonds	n/a	25,073,439
Number of ordinary shares for the purpose of diluted earnings per share	n/a	5,155,073,439

n/a: not applicable

For the year ended 31 December 2017, the Company had no potential ordinary shares in issue and therefore no diluted earnings per share was presented.

For the year ended 31 December 2017

## 14. JOINT ARRANGEMENTS

### Joint operation

In July 2010, Gallop Pioneer Limited (“GPL”), as the purchaser, a wholly owned subsidiary of the Company, and Mr. Chan Kon Fung (an independent third party) as the vendor (“Vendor”), signed a sale and purchase agreement (“Parksong S&P Agreement”) in relation to the acquisition of 100% interest in Parksong Mining and Resource Recycling Limited (“Parksong”). The completion of the acquisition of Parksong took place on 4 March 2011 (the “Date of Completion”). Parksong holds 82% interest in Yunnan Tin Hong Kong (Holding) Group Co., Limited (“YTHK”) and its subsidiaries (including YT Parksong Australia Holding Pty Limited (“YTPAH”)) as at the Date of Completion.

YTPAH and Bluestone Mines Tasmania Pty Ltd. (“BMT”), an independent third party, entered into a joint venture agreement (the “JV Agreement”) that an unincorporated joint venture was established by YTPAH and BMT to jointly manage certain mining projects (“JV Projects”) located in Tasmania, Australia which comprises of (i) the Renison mine, concentrator and infrastructure, (ii) the Mount Bischoff open cut tin project and (iii) the Retails tailing retreatment projects (hereinafter collectively referred to as the “Mining Assets”). According to the JV Agreement, YTPAH and BMT severally owned 50% interests of the Mining Assets. Each of YTPAH and BMT is entitled to 50% of the output from the operation of the Mining Assets and is responsible for 50% of the expenses incurred.

Pursuant to the Parksong S&P Agreement, other than the assets and liabilities relating to the JV Projects, the Vendor is entitled to receive and is obliged to pay cash in respect of the receivables and payables of Parksong and its subsidiaries at the Date of Completion. As such, at the Date of Completion, the Group recognised a net payable to the Vendor, representing the excess of receivables over payables that the Vendor is entitled to receive and the Group is obliged to pay to Vendor in cash, as other payables (see note 23).

The JV Projects are managed by a management committee (“Management Committee”) of Bluestone Mines Tasmania Joint Venture Pty Limited (“BMTJV”). Each of YTPAH and BMT is entitled to appoint three representatives to the Management Committee. Under the JV Agreement, certain key decisions on relevant activities, including but not limited to strategic financial and operating policies of those JV Projects, require the unanimous consent from both YTPAH and BMT. Other operational decisions, which are not relevant activities, made by the Management Committee require a simple majority vote. Hence, YTPAH is able to exercise joint control over the JV Projects and the assets and liabilities of the JV Projects which were acquired by the Group are accounted for as joint operation. The Group’s share of the assets, liabilities, revenue and expenses in relation to the JV Projects are reflected in the consolidated financial information of YTHK and its subsidiary, YTPAH as disclosed in note 40.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 14. JOINT ARRANGEMENTS (Continued)

### Joint Venture

The Company has indirect interests in a joint venture as follows:

Name of entity	Form of entity	Place of incorporation	Issued and fully paid up share capital	Equity interest and voting power attributable to the Company		Principal activity
				2017	2016	
BMTJV	Incorporated	Australia	AUD2	50%	50%	Provision of management services in mining projects of the Group in Australia

BMTJV is a limited company incorporated in Australia by YTPAH and BMT. BMTJV was appointed to provide management services to the JV Projects and is responsible to manage, supervise and conduct the daily operation of the JV Projects through the Management Committee.

BMTJV has no asset and liability as at 31 December 2017 and 2016 and its income and expenses incurred during the years ended 31 December 2017 and 2016 were borne by the JV Projects.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Mine properties and developments	Leasehold improvement	Construction in progress	Furniture and fixtures	Plant, machinery and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>COST</b>								
At 1 January 2016	33,138	696,638	5,598	4,006	3,867	139,933	9,970	893,150
Exchange adjustments	(407)	(9,772)	(38)	(28)	—	(4,016)	(433)	(14,694)
Additions	503	23,990	—	—	2	72,854	2,832	100,181
Disposals	—	—	—	—	—	(325)	(730)	(1,055)
Transfer from exploration and evaluation assets (note 16)	—	10,932	—	—	—	—	—	10,932
<b>At 31 December 2016</b>	<b>33,234</b>	<b>721,788</b>	<b>5,560</b>	<b>3,978</b>	<b>3,869</b>	<b>208,446</b>	<b>11,639</b>	<b>988,514</b>
Exchange adjustments	3,073	66,888	42	1,573	—	19,111	948	91,635
Additions	—	34,083	—	64,885	4	3,651	962	103,585
Disposals	—	—	—	—	—	(20)	(2,634)	(2,654)
Transfer from exploration and evaluation assets (note 16)	—	22,275	—	—	—	—	—	22,275
Transfer upon completion	2,018	—	—	(3,479)	—	1,461	—	—
<b>At 31 December 2017</b>	<b>38,325</b>	<b>845,034</b>	<b>5,602</b>	<b>66,957</b>	<b>3,873</b>	<b>232,649</b>	<b>10,915</b>	<b>1,203,355</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>								
At 1 January 2016	6,073	592,469	5,482	—	3,849	86,522	4,439	698,834
Exchange adjustments	(113)	(5,143)	(35)	—	—	(1,534)	(199)	(7,024)
Provided for the year	1,323	60,841	113	—	15	14,921	1,633	78,846
Reversal of impairment loss recognised	—	(119,176)	—	—	—	—	—	(119,176)
Eliminated on disposals	—	—	—	—	—	(325)	(608)	(933)
<b>At 31 December 2016</b>	<b>7,283</b>	<b>528,991</b>	<b>5,560</b>	<b>—</b>	<b>3,864</b>	<b>99,584</b>	<b>5,265</b>	<b>650,547</b>
Exchange adjustments	693	49,305	42	—	—	9,673	396	60,109
Provided for the year	1,448	91,090	—	—	9	30,827	1,846	125,220
Reversal of impairment loss recognised	—	(40,498)	—	—	—	—	—	(40,498)
Eliminated on disposals	—	—	—	—	—	(18)	(1,518)	(1,536)
<b>At 31 December 2017</b>	<b>9,424</b>	<b>628,888</b>	<b>5,602</b>	<b>—</b>	<b>3,873</b>	<b>140,066</b>	<b>5,989</b>	<b>793,842</b>
<b>CARRYING VALUES</b>								
At 31 December 2017	28,901	216,146	—	66,957	—	92,583	4,926	409,513
At 31 December 2016	25,951	192,797	—	3,978	5	108,862	6,374	337,967

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Other than construction in progress and mine properties and developments, the above items of property, plant and equipment are depreciated using the straight-line basis at the following rates per annum:

Buildings	4%–20%
Leasehold improvement	Over the term of the lease
Furniture and fixtures	20%
Plant, machinery and equipment	10%–33%
Motor vehicles	12.5%–25%

Depreciation on mine properties and developments is provided to write off the cost of the mine properties and developments using the unit of production method based on the actual production volume over the total estimated proven and probable reserves of the ore mines. Effective depreciation rate for the year ended 31 December 2017 is 13.8% (2016: 11.9%).

The Group's management determines the estimated useful lives of approximately 9 years (2016: 9 years) for its mine operation based on the proven and probable reserves. Meanwhile, in November 2017 the Group has renewed the terms of the lease to 1 August 2031.

As at 31 December 2017, the net carrying value of property, plant and equipment included an amount of approximately HK\$38,617,000 (2016: HK\$50,688,000) in respect of assets held under finance leases. Such property, plant and equipment had been pledged to secure the finance leases granted.

### Impairment testing on the cash-generating unit of the Renison underground mine

For the purposes of impairment testing, mining-related property, plant and equipment (which mainly include the mine properties and developments, buildings, construction in progress and machineries for the mine operation) and exploration and evaluation assets have been considered as one cash-generating unit ("CGU of the Mining Operation") as these assets are related to the Renison underground mine.

For the year ended 31 December 2017

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

### Impairment testing on the cash-generating unit of the Renison underground mine (Continued)

The recoverable amount of the CGU of the Mining Operation of approximately AUD90,382,000 (equivalent to approximately HK\$551,284,000) as at 31 December 2017 (2016: approximately AUD83,275,000 (equivalent to approximately HK\$465,484,000)) was determined based on the higher of fair value less costs of disposal and value in use. The Group's management applied discounted cash flow method to assess the recoverable amount of the CGU of the Mining Operation. The discounted cash flow method was based on a discount rate of 17% (2016: 18%) and cash flow projection prepared from financial forecasts approved by the directors of the Company covering the expected mine life period until the mine resources run out based on proved and probable reserves and applied a probability on the indicated resources. The aggregate amount of reserve and resources used in the projection is 6.26 million tonnes and it is assumed the mineral reserve is mined over approximately 9 years at a rate of up to 0.72 million tonnes per annum. Such assumptions are based on the estimation provided by the management of the Group. The discount rate was estimated by using the capital asset pricing model with a risk free rate, which represent the 10-year Australia government bond yield, at 2.63% (2016: 2.77%). Other key assumptions for the calculation related to the estimation of cash inflows/outflows include AUD/United States Dollar ("USD") forward exchange rate ranging from 1:0.743 to 1:0.780 (2016: 1:0.670 to 1:0.715), forward price of tin of USD20,500 (2016: USD20,475) per tonne and production rate of 1.40% (2016: 1.47%) per tonne.

As at 31 December 2017, in view of the continuous increase in the tin price, the recoverable amount of the CGU of the Mining Operation is higher than its carrying value by HK\$54,674,000 (2016: HK\$170,421,000). Accordingly, reversal of impairment losses on mine properties and developments and exploration and evaluation assets allocated to the CGU of the Mining Operation of approximately HK\$40,498,000 and HK\$14,176,000 (2016: HK\$119,176,000 and HK\$51,245,000) respectively, which are allocated on a pro-rata basis based on the respective carrying value of mine properties and developments and exploration and evaluation assets, are recognised in profit or loss for the year ended 31 December 2017, respectively.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 16. EXPLORATION AND EVALUATION ASSETS

	HK\$'000
CARRYING AMOUNT	
At 1 January 2016	88,194
Additions	3,297
Transfer to property, plant and equipment (note 15)	(10,932)
Reversal of impairment loss recognised	51,245
Exchange adjustment	(1,968)
At 31 December 2016	129,836
Additions	<b>9,330</b>
Transfer to property, plant and equipment (note 15)	<b>(22,275)</b>
Reversal of impairment loss recognised	<b>14,176</b>
Exchange adjustment	<b>11,867</b>
At 31 December 2017	<b>142,934</b>

Impairment testing on the cash-generating unit of the Renison underground mine, including the exploration and evaluation assets, has been disclosed in note 15.

## 17. DEPOSITS

Deposits with the carrying amount of HK\$14,099,000 (2016: HK\$11,523,000) as at 31 December 2017 represent deposits paid by the Group to the Mineral and Resources Department of Tasmania as a deposit for operating in the mining industry in Tasmania, Australia. The deposits are refundable upon the cessation of mining activities or closure of mines and the environmental rehabilitation work of relevant mines meets government's requirements.

## 18. INVENTORIES

	2017 HK\$'000	2016 HK\$'000
Tin concentrates	<b>13,214</b>	1,825
Ore stocks	<b>5,697</b>	1,814
Work-in-progress	<b>472</b>	2,876
Tin in circuit	<b>108</b>	209
Copper concentrate	<b>—</b>	135
Spare parts	<b>14,972</b>	12,726
Others	<b>194</b>	—
	<b>34,657</b>	19,585

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 19. TRADE RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	55,499	53,276

The Group allows a credit period of 3 working days for 85% of the provisional value upon the delivery of goods and issue of provisional invoices. For the remaining 15%, the Group allows a credit period of 10 working days after mutual agreement on grade and weights of tin or copper concentrates with the customer and the issue of final invoice, which normally takes around 1 to 2 months after delivery of goods. The following is an ageing analysis of trade receivables presented based on final invoice date at the end of the reporting period.

	2017 HK\$'000	2016 HK\$'000
0–30 days	55,499	53,276

The Group has a policy of allowance for bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of trade receivables and on management's judgment including credit worthiness and past collection history of the customer.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Concentration of credit risk on a customer is disclosed in note 29(b). As 31 December 2017 and 2016, the trade receivables are neither past due nor impaired with satisfactory credit quality under the management's assessment and with good past repayment record. The directors of the Company also believe that there is no impairment required for the trade receivables as at the end of the reporting period.

As at 31 December 2017 and 2016, the carrying amounts of the Group's trade receivables are all denominated in USD, currency other than the functional currency of the respective group entity.

## 20. HELD-FOR-TRADING INVESTMENT

	2017 HK\$'000	2016 HK\$'000
Equity security listed in Hong Kong	2,820	3,920

Fair value of held-for-trading investment is based on quoted market bid price at the end of the reporting period.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 21. BANK BALANCES AND CASH

Bank balances comprise bank deposits held by the Group with an original maturity of three months or less. The bank balances carried effective interest rates ranging from 0.1% to 0.3% (2016: 0.1% to 0.3%) per annum.

The Group's bank balances that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2017 HK\$'000	2016 HK\$'000
USD	120,988	71,368
HK\$	3,002	5,396
Renminbi ("RMB")	110	103

## 22. TRADE PAYABLES

An aged analysis of the Group's trade payables based on the invoice date at the end of the reporting period is as follows:

	2017 HK\$'000	2016 HK\$'000
0–30 days	26,045	21,262
31–60 days	14,775	20
61–90 days	—	744
Total	40,820	22,026

The average credit period granted by creditors is 30 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

## 23. OTHER PAYABLES AND ACCRUALS

	2017 HK\$'000	2016 HK\$'000
Current:		
Net payables to the Vendor (Note)	75,335	69,038
Other payables and accruals	28,843	26,226
	<b>104,178</b>	95,264

Note: As detailed in note 14, the amount arose from the acquisition of Parksong represented the net payables to the Vendor based on the financial information of Parksong and its subsidiaries other than the joint operations as at Date of Completion. The amount should be settled in net by cash. Details of dispute with the Vendor on these payables are also disclosed in note 33. GPL and Parksong are wholly-owned subsidiaries of the Company.

## 24. OTHER BORROWING

Included in other borrowing is an unsecured and interest-bearing loan from Cybernaut Greentech Investment Holding (HK) Limited ("Cybernaut"). On 16 March 2016, the Company as the borrower, Power Investment Holding Limited (the "Lender"), and Mr. Xie Haiyu ("Mr. Xie") (who is shareholder with 8.87% equity interests of the Company as at 31 December 2017) as the guarantor, entered into a loan agreement (the "Loan Agreement") pursuant to which the Lender has agreed and granted a loan in the principal sum of HK\$176,400,000 (the "Loan") to the Company for the sole purpose of settling the principal amount payable for the redemption of the convertible bonds of the Company. The Loan was repayable in full on 31 March 2017 (the "Maturity Date of the Loan") with fixed interest of 8% per annum and denominated in HK\$ which is the currency other than the functional currency of the Company.

On 29 March 2017, the Lender, with the consent from the Company and Mr. Xie, assigned all its rights and obligations under the Loan Agreement to Cybernaut. Both Cybernaut and the Lender are members of a group of companies under the control of 北京賽伯樂綠科投資管理有限公司 (Beijing Cybernaut Green-tech Investment Management Limited\*).

On 29 March 2017, a supplementary loan agreement (the "Supplementary Loan Agreement") was entered into between the Company, Cybernaut and Mr. Xie to amend and restate the terms of the loan agreement primarily to extend the Maturity Date of the Loan. Under the Supplementary Loan Agreement, should the Loan Capitalisation (as defined below) take place on or before 30 June 2017 (or such date as may be agreed by the parties), the remaining outstanding principal amount of the Loan of HK\$40,400,000, together with interests accrued (at fixed interest rate of 8% per annum) thereon up to the date of repayment thereof and the interest accrued (at fixed interest rate of 8% per annum) on the principal amount of the loan of HK\$136,000,000 up to completion of the Loan Capitalisation, shall be repayable on 31 March 2018.

\* English name for identification purpose only.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 24. OTHER BORROWING (Continued)

On 29 March 2017, Cybernaut and the Company also entered into a conditional capitalisation agreement (the “Capitalisation Agreement”) whereby the Company would issue 1,700,000,000 new ordinary shares of the Company of HK\$0.005 each at the price of HK\$0.08 per share to Cybernaut (the “Loan Capitalisation”) and the consideration for the issue of such shares would be set off against HK\$136,000,000 of the outstanding principal amount of the Loan.

Cybernaut, the lender and Beijing Cybernaut Green-tech Investment Management Limited were independent third party prior to the completion of loan capitalisation.

The Loan Capitalisation was approved at an extraordinary general meeting of the Company held on 8 June 2017 and all conditions of the Loan Capitalisation have been fulfilled. The completion of the Loan Capitalisation took place on 15 June 2017 in accordance with the terms of the Capitalisation Agreement. An aggregate of 1,700,000,000 capitalisation shares were allotted and issued to Cybernaut at a price of HK\$0.08 per capitalisation share and the consideration for the issue of such capitalisation shares were set off against HK\$136,000,000 of the outstanding principal amount of the Loan.

As at 31 December 2017, the carrying amount of the other borrowing was HK\$59,793,000 (31 December 2016: HK\$184,055,000) which included accrued interest payable of HK\$19,393,000 (31 December 2016: HK\$7,655,000) and will be repayable on 31 March 2018 (“Maturity Date of the HK\$40.4 million Loan”).

Subsequent to the end of the reporting period on 21 March 2018, the Company, Cybernaut and Mr. Xie entered into another supplementary loan agreement to amend and restate the terms of the Supplementary Loan Agreement (“Loan Extension Agreement”). Under the Loan Extension Agreement, the Company, Cybernaut and Mr. Xie agreed to further extend the Maturity Date of the HK\$40.4 million Loan for one year to 31 March 2019 with fixed interest rate of 8% per annum.

## 25. OBLIGATIONS UNDER FINANCE LEASE

	2017 HK\$'000	2016 HK\$'000
Analysed for reporting purpose as:		
Current liabilities	19,470	16,562
Non-current liabilities	22,576	38,137
	<b>42,046</b>	54,699

Certain machineries of the mining projects of the joint operation are under finance leases. The average lease term is 4 years (2016: average of 4 years). Interest rates underlying all obligations under finance leases range from 3.4% to 5.4% (2016: range from 3.4% to 5.4%) per annum.

**25. OBLIGATIONS UNDER FINANCE LEASE (Continued)**

	Minimum lease payments		Present value of minimum lease payments	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>Amounts payable under finance leases</b>				
Within one year	20,779	18,591	19,470	16,562
In more than one year but not more than two years	23,282	40,177	22,576	38,137
	44,061	58,768	42,046	54,699
Less: Future finance charges	(2,015)	(4,069)	N/A	N/A
Present value of lease obligations	42,046	54,699	42,046	54,699
Less: Amount due for settlement within 12 months (shown under current liabilities)			(19,470)	(16,562)
Amount due for settlement after 12 months			22,576	38,137

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

During the year ended 31 December 2016, the Group entered into new finance leases in relation to the Group's machineries of the mining projects with the cost of approximately HK\$61,548,000.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 26. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.005 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 2017	20,000,000,000	100,000
Issued and fully paid:		
At 1 January 2016 and 31 December 2016	5,130,000,000	25,650
Shares issued in relation to the Loan Capitalisation (note 24)	<b>1,700,000,000</b>	<b>8,500</b>
At 31 December 2017	<b>6,830,000,000</b>	<b>34,150</b>

The new shares issued during the year ended 31 December 2017 rank pari passu with other shares in issue in all respects. There was no movement in the Company's issued share capital during the year ended 31 December 2016.

## 27. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset. The following is the major deferred tax assets (liabilities) recognised by the Group and movements thereon, during the current and prior years:

	Provisions and accrued charges HK\$'000	Tax losses HK\$'000	Fair value adjustment on mine properties and developments and exploration and evaluation assets HK\$'000	Total HK\$'000
At 1 January 2016	10,137	15,352	(7,477)	18,012
Credit (charge) to profit or loss (note 11)	904	(13,205)	(51,126)	(63,427)
Exchange adjustment	(148)	237	1,706	1,795
At 31 December 2016	<b>10,893</b>	<b>2,384</b>	<b>(56,897)</b>	<b>(43,620)</b>
Charge to profit or loss (note 11)	<b>(715)</b>	<b>(2,548)</b>	<b>(12,628)</b>	<b>(15,891)</b>
Exchange adjustment	<b>979</b>	<b>164</b>	<b>(5,449)</b>	<b>(4,306)</b>
At 31 December 2017	<b>11,157</b>	—	<b>(74,974)</b>	<b>(63,817)</b>

## 27. DEFERRED TAXATION (Continued)

As at 31 December 2017, the Group had estimated unused tax losses of approximately HK\$8,840,000 (2016: HK\$21,336,000) available for offset against future profits. Tax losses of HK\$7,947,000 had been recognised as deferred tax asset at 31 December 2016. No deferred tax asset had been recognised in respect of the remaining tax losses of HK\$8,840,000 (2016: HK\$13,389,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK\$8,821,000 (2016: HK\$13,389,000) that will expire in 5 years since such losses were incurred. Other tax losses may be carried forward indefinitely.

## 28. PROVISION FOR REHABILITATION

	HK\$'000
At 1 January 2017	11,932
Addition	7,255
Net amount of unwinding of discount and adjustments on provision credit to profit or loss (note 9)	55
Exchange adjustment	1,239
At 31 December 2017	20,481

The provision for rehabilitation represents the estimated cost of decommission and rehabilitation of mines and processing sites of the mining projects of the joint operation to be carried out at the end of their producing lives. The discount rate used in determination the provision for rehabilitation is 2.52% as at 31 December 2017 per annum (2016: 2.57%).

The provision for rehabilitation cost has been estimated by the management based on current regulatory requirements and is discounted to present value. However, significant changes in the regulatory requirements, timing of performance of reclamation activities or discount rate will result in changes to the amount of provision from period to period.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 29. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2017 HK\$'000	2016 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	264,589	229,690
Held for trading investment	2,820	3,920
<b>Financial liabilities</b>		
Amortised cost	204,791	301,345

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

The Group's major financial instruments include trade receivables, other receivables, refundable deposits, held for trading investment, bank balances, trade payables, other payables and accruals and other borrowing. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure to financial risks or the manner in which it manages and measures the risks for both years. Details of the change in exposure to respective risks are disclosed below.

#### Market risk

##### Currency risk

Several subsidiaries of the Company have bank balances, trade receivables, other payables and accruals, other receivables and deposits, other borrowing, sales and purchases denominated in foreign currencies which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## 29. FINANCIAL INSTRUMENTS (Continued)

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

#### Market risk (Continued)

#### Currency risk (Continued)

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

	Assets		Liabilities	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
USD	176,487	124,644	—	—
RMB	466	450	—	—
HK\$	6,292	6,755	63,869	187,047

#### Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2016: 10%) increase and decrease in the functional currency of each group entity against the relevant foreign currencies and other variables were held constant. 10% (2016: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items which are denominated in relevant foreign currencies of respective group entities and adjusts its translation at the end of the reporting period for a 10% (2016: 10%) change in the relevant foreign currencies exchange rates. A positive number below indicates an increase in profit for the year where the relevant foreign currencies strengthen 10% (2016: 10%) against the functional currency of each group entity. For a 10% (2016: 10%) weakening of the relevant foreign currencies against the functional currencies of each group entity there would be an equal and opposite impact on the results for the year.

#### Increase (decrease) in post-tax profit for the year

	2017 HK\$'000	2016 HK\$'000
USD impact	12,354	12,464
RMB impact	33	45
HK\$ impact	(4,030)	(18,029)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 29. FINANCIAL INSTRUMENTS (Continued)

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

#### Market risk (Continued)

##### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowing and obligations under finance lease as at 31 December 2017 and 2016 (see notes 24 and 25 for details).

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances for both years (see note 21 for details). In view that the interest rate movement is insignificant during the year, the directors of the Company considered that the Group's exposure to interest rate risk is minimal. Accordingly, no sensitivity analysis is presented.

##### Other price risk

The Group is exposed to equity price risk through held-for-trading investment. The Group's held-for-trading investment has significant concentration of price risk in Hong Kong stock market. The management of the Group is responsible to monitor the price risk and will consider hedging the risk exposure should the need arise.

##### Sensitivity analysis

The sensitivity analyses on held-for-trading investment has been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate considers at 30% in both years. If the prices of the respective equity instrument had been 30% (2016: 30%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease approximately by HK\$846,000 (2016: HK\$1,176,000) as a result of the changes in fair value of held-for-trading investment.

##### Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Bank balances are placed in various authorised financial institutions and the directors of the Company consider the credit risk of such authorised financial institutions is low.

The Group has concentration of credit risk on trade receivables from a customer of sales of tin and copper concentrate, YTATR which is a tin and copper refining and processing company located in Australia. YTATR is a subsidiary of non-controlling shareholder of a subsidiary of the Company. The management reviews the recoverable amount on trade receivables from YTATR at the end of the reporting period, including past collection history and subsequent settlement, to ensure that adequate impairment losses are recognised for irrecoverable debts, if any. In this regard, the management of the Group considers that the credit risk is significantly reduced.

## 29. FINANCIAL INSTRUMENTS (Continued)

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

#### Liquidity risk

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liability are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

#### Liquidity tables

	Weighted average effective interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	Between 1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
<b>31 December 2017</b>						
Trade payables	—	40,820	—	—	40,820	40,820
Other payables and accruals	—	104,178	—	—	104,178	104,178
Obligations under finance leases	4.3	5,311	15,468	23,282	44,061	42,046
Other borrowing	8.0	60,590	—	—	60,590	59,793
		210,899	15,468	23,282	249,649	246,837

	Weighted average effective interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	Between 1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
<b>31 December 2016</b>						
Trade payables	—	22,026	—	—	22,026	22,026
Other payables and accruals	—	95,264	—	—	95,264	95,264
Obligations under finance leases	4.3	4,648	13,943	40,177	58,768	54,699
Other borrowing	8.0	187,583	—	—	187,583	184,055
		309,521	13,943	40,177	363,641	356,044

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 29. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of certain financial assets and financial liabilities.

The chief financial officer of the Company is responsible to determine the appropriate valuation techniques and inputs for fair value measurements. There has been no change from the valuation technique used in the prior year. In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available.

Information about the valuation techniques and inputs used in determining the fair value of held-for-trading asset are disclosed below.

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

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

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique and key input(s)
	31.12.2017	31.12.2016		
Held-for-trading investment	<b>Listed equity security in Hong Kong, HK\$2,820,000</b>	Listed equity security in Hong Kong, HK\$3,920,000	Level 1	Quoted bid price in an active market

There was no transfer between different levels of the fair value hierarchy during both years.

#### Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

## 30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes other borrowing disclosed in note 24, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves. The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of new debts or the repayment of existing debts.

The Group's overall strategy remains unchanged from prior year.

## 31. OPERATING LEASES

### The Group as lessee

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

	2017 HK\$'000	2016 HK\$'000
Within one year	532	1,348
In the second to fifth year inclusive	—	460
	<b>532</b>	<b>1,808</b>

Operating lease payments represent rentals payable by the Group for office premises and staff quarters. Leases are negotiated and rentals are fixed for a lease term of two to three years.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 32. CAPITAL AND OTHER COMMITMENTS

At the end of the reporting period, the Group's share of capital and other commitments of the JV Projects are as follows:

	2017 HK\$'000	2016 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment of JV Projects	11,074	—
Lease commitments on mineral tenement	6,884	—

As at 31 December 2017 and 2016, YTPAH has provided a guarantee and indemnity to a lessor relating to the Group's obligations under finance leases. This guarantee and indemnity is given to a finance lessor jointly and severally with BMT.

## 33. LITIGATION

### HCA1357/2011

The legal proceedings involves disputes arisen from the Parksong S&P Agreement dated 13 July 2010 signed between the Vendor, GPL as the purchaser and the Company being GPL's parent company as the guarantor.

On 11 August 2011, the Company and GPL were named as defendants in a writ of summons with a statement of claim by the Vendor claiming for, inter alia, a sum of AUD15,143,422.44 (equivalent to approximately HK\$92,367,000), representing all receivables of Parksong and its subsidiaries other than the assets of the JV Projects at the Date of Completion (the "Claim"). According to the Parksong S&P Agreement, other than the assets and liabilities relating to the JV Projects, the Vendor is entitled to receive and is obliged to pay cash in respect of the receivables and payables of Parksong and its subsidiaries. As such, at the Date of Completion, the Group recognised a net payable to the Vendor, representing the excess of receivables over payables that the Group is obliged to pay to Vendor in cash, as other payables. The Company and GPL disagreed with the claim amount made by the Vendor in the Claim because the Group's management considered the Vendor has breached certain conditions in the Parksong S&P Agreement and, accordingly, the Company and GPL made a counterclaim of AUD25,853,847 and US\$2,059,897 (equivalent to approximately HK\$173,793,000 in aggregate) against the Vendor on 11 October 2011 (the "Counterclaim") and as amended on 23 May 2012 and further amended on 31 August 2016 ("Re-AD&C") with an additional claim on AUD476,393 (equivalent to approximately HK\$2,906,000). The Vendor, the Company and GPL had attended mediation in relation to the disputes regarding the Claim and the Counterclaim (the "Mediation") on 16 August 2012. However, no settlement had been reached in the Mediation. Thereafter, the Vendor, the Company and GPL have exchanged their respective witness statements and further documents.

## 33. LITIGATION (Continued)

### HCA1357/2011 (Continued)

Since June 2013, GPL and the Company have made applications to obtain further evidence from the Vendor including discovery of further documents and interrogatories for further information on the issue of AUD16.3 million ("AUD16.3 Million Issue") being a part of the Counterclaim. On 3 June 2015, the Vendor also made application to amend his reply and defence to counterclaim dated 9 December 2011 (and subsequently amended on 10 July 2012 and 5 June 2013) in relation to an advanced sum of AUD16.3 million ("Plaintiff Amendment Application").

After an initial hearing on 19 December 2014 in respect of GPL's and the Company's applications on (1) the joinder of Yunnan Tin Hong Kong (Holding) Group Company Limited ("YTHK") and Yunnan Tin Group (Holding) Company Limited ("Yunnan Tin PRC"), a non-controlling shareholder of YTHK, being a subsidiary of the Company, (2) application for expert evidence on the issues of the counterclaim including AUD16.3 Million Issue, production shortfall as well as receivables and payables ("Expert Evidence Application") and (3) application for the defendants' pleading amendment (collectively as "Defendants' Applications"), further hearings for Defendants' Applications had been scheduled to 28–29 July 2015. The Plaintiff's Amendment Application was first heard on 28–29 July 2015 with the result that the Defendants' Applications had to be further adjourned. On 4 August 2016, a decision was handed down by the Court ("Court's Decision") under which the Plaintiff's Amendment Application was dismissed while the defendants' amendment application was allowed. On 10 April 2017, Yunnan Tin PRC issued an application for joinder of parties and demanded the Vendor to better formulate his claim so that the disputes between all parties could be better dealt with. Further to the directions hearing on 20 April 2017, the hearing of the Joinder Application and the Expert Evidence Application was further adjourned to 19–20 December 2017. At the hearing on 19 December 2017, the Joinder Application was permitted and Yunnan Tin PRC and YTHK were joined as 3rd defendant and 4th defendant. In addition to the Vendor's non-opposition to expert evidence application on production shortfall, the hearing of remaining applications under the Expert Evidence Application were adjourned and pending confirmation from the Vendor on whether he would continue to oppose them. Eventually on or about 16 January 2018, the Vendor indicated non-opposition to the remaining applications. A direction hearing on the Expert Evidence Application has been fixed to be heard on 6 June 2018.

On 19 March 2018, Yunnan Tin PRC as claimant filed its defence and counterclaim against 4 defendants including Parksong, YTHK, GPL and the Vendor as disclosed in the announcement of the Company dated 21 March 2018. The counterclaim under this defence and counterclaim relates to the same subject matter in another legal proceedings (HCA 3132/2016 as stated below). Parksong, YTHK, GPL and the Company are seeking legal advice from their legal advisers regarding this defence and counterclaim.

GPL has also reviewed the issue on production shortfall. Pursuant to Parksong S&P Agreement, the Vendor has given a production guarantee of 6,500 tonnes of contained tin in concentrate for each of the three anniversaries after the Date of Completion. The actual confirmed production of contained tin in concentrate for the first, second and third anniversaries were 4,979, 6,159 and 6,013 tonnes respectively, resulting in respective shortfalls of 1,521,341 and 487 tonnes ("Production Shortfalls"). GPL's claims on compensation for Production Shortfalls are in sum of AUD3,284,201, AUD650,205 and AUD1,021,181 respectively (equivalent to approximately HK\$30,227,000 in aggregate).



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 33. LITIGATION (Continued)

### HCA1357/2011 (Continued)

The legal proceedings are now being considered with these additional evidence and related investigation and development. GPL is now making re-assessment on the Claim and the compensation to be sought under the Counterclaims. The Re-AD&C shall be further revised and updated in due course if and when upon the advice of the legal team of the Company.

Pending the outcome of the Claim and the Counterclaim, as at 31 December 2017 and 2016, the Group accrued for the net payables to the Vendor pursuant to the Parksong S&P Agreement since the Date of Completion. Details of such net payables to the Vendor of AUD12,351,000 equivalent to approximately HK\$75,335,000 (2016: AUD12,351,000 equivalent to approximately HK\$69,038,000) are disclosed in note 23.

### HCA 3132/2016

It has come to the attention of the Group that a writ of summons with general endorsements under High Court Action number 3132/2016 ("HCA 3132 Action") was issued by Yunnan Tin PRC against Parksong, YTHK and the Vendor on 30 November 2016. Under HCA 3132 Action, Yunnan Tin PRC has made various claims which relates to the AUD16.3 Million Issue. The writ of summons was eventually served in November 2017. At the hearing on 19 December 2017 under HCA 1357 Action, both the Vendor and Yunnan Tin PRC indicated their understanding that the matters under HCA 3132 Action shall be more conveniently dealt with under HCA 1357 Action and it has been indicated that HCA 3132 Action shall be discontinued in due course.

### HCA 492/2017

By an amended writ of summons dated 3 March 2017, the Company, GPL, Parksong and YTHK as 4 plaintiffs have issued the writ with general endorsements under High Court Action number 492 of 2017 ("HCA 492 Action") under which, amongst others, the Company and GPL made various claims against the Vendor as defendant including a declaration that the Vendor shall indemnify the Company and GPL for damages and loss suffered as a consequence of the claims of Yunnan Tin PRC under the HCA 3132 Action and for the sum of AUD16.3 million for breach of the Parksong S&P Agreement. Under HCA 492 Action, Parksong and YTHK have also, without prejudice to any defence or counterclaim they may have against Yunnan Tin PRC, made claims against the Vendor as defendant for breach of fiduciary duty/director's duty while the Vendor was acting as a director of Parksong and YTHK for, amongst others, matters arising from HCA 3132 Action. On 13 March 2018, the Vendor's legal advisor acknowledged service to the amended writ of summons of HCA492 Action.

## 34. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund (“MPF”) Scheme under rules and regulations of MPF Schemes Ordinance for all qualifying employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees’ salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 December 2017 and 2016.

The Company’s subsidiary established in the PRC, in compliance with the applicable regulations of the PRC, participate in a state-managed retirement benefit scheme operated by the local government. The subsidiary is required to contribute a specific percentage of their payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The employees for mining operation are employed by BMTJV on behalf of YTPAH and BMT. These employees are members of a state-managed retirement benefit scheme in Australia (superannuation fund). The Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 December 2017, the Group’s share of total contributions to the retirement benefit schemes is approximately HK\$7,772,000 (2016: HK\$6,718,000).

## 35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statement of cash flows as cash flows from financing activities.

	<b>Other Borrowing</b> (Note 24) HK\$'000	<b>Obligations under finance leases</b> (Note 25) HK\$'000	<b>Dividend payable</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2017	184,055	54,699	—	238,754
Financing cash flows	—	(19,687)	(5,379)	(25,066)
Loan Capitalisation (note 39)	(136,000)	—	—	(136,000)
Unrealised foreign exchange gain	(4,531)	—	—	(4,531)
Foreign exchange translation	4,531	4,632	—	9,163
Dividend declared to non-controlling shareholder of a subsidiary	—	—	5,379	5,379
Interest expenses	11,738	2,402	—	14,140
At 31 December 2017	59,793	42,046	—	101,839

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 36. RELATED PARTY TRANSACTIONS

During the year, the Group has entered into the following transactions with related parties:

	2017 HK\$'000	2016 HK\$'000
Sales of copper concentrate to YTATR (note a & b)	—	2,452
Sales of tin concentrate to YTATR (note a & b)	428,938	375,176
Amount due from YTATR included in trade receivables (note c)	55,499	53,276

Notes:

- (a) The price of tin/copper concentrates per dry metric ton was agreed between the Group and YTATR after taking into account the factors:
- (i) the London Metal Exchange cash settlement average price of tin/copper metal;
  - (ii) the treatment charge per dry metric ton;
  - (iii) deduction based on the final tin/copper content; and
  - (iv) penalty for impurity.
- (b) The transactions represent the revenue from sales of copper concentrate or tin concentrate to YTATR, a company which invests in Australia mineral resource projects located in Australia, and is a subsidiary of the non-controlling shareholder who has significant influence on a subsidiary of the Company.
- (c) Details of amounts due from related parties are set out in note 19.

### Compensation of key management personnel

The remuneration of members of key management including directors of the Company during the year was as follows:

	2017 HK\$'000	2016 HK\$'000
Short-term benefits	10,222	10,954
Contributions to retirement benefit scheme	72	72
	10,294	11,026

## 37. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was approved and adopted by the written resolutions of the shareholders of the Company passed on 21 October 2008, to recognise and acknowledge the contributions of selected participants to the growth of the Group.

The board of directors (the "Board") may, in its absolute discretion, offer to grant options to any employee, executive and officer of the Group, any director (including non-executive director and independent non-executive director) and any adviser, consultant, supplier, customer and/or agent of the Group whom the Board considered have contributed or will contribute to the Group.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue as at the date on which the shares of the Company are listed on the Stock Exchange. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Stock Option Scheme shall not exceed 30% of the shares in issue of the Company from time to time.

The total number of shares issued and which fall to be issued upon the exercise of the options granted under the Share Option Scheme (including both exercised and outstanding options) to any individual in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares of the Company in issue as at the date of offer to grant. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by the Company's shareholders in accordance with the Share Option Scheme. Options granted to connected persons in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Subject to the rules of the Share Option Scheme, options may be exercised, in whole or in part, at any time during the period from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and the tenth anniversary of the Share Option Scheme. Options granted must be accepted by the prescribed acceptance date. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company by way of consideration for the grant.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share, the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

There is no share option granted or outstanding during the years ended 31 December 2017 and 2016 nor at 31 December 2017 and 2016.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 38. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK\$'000	2016 HK\$'000
<b>Non-current assets</b>		
Investments in subsidiaries	188,868	173,220
Amounts due from subsidiaries	211,085	211,015
	<b>399,953</b>	384,235
<b>Current assets</b>		
Other receivables and payables	2,306	449
Bank balances	6,600	8,220
	<b>8,906</b>	8,669
<b>Current liabilities</b>		
Other payables and accruals	1,355	2,550
Other borrowing	59,793	184,055
	<b>61,148</b>	186,605
<b>Net current liabilities</b>	<b>(52,242)</b>	(177,936)
<b>Net assets</b>	<b>347,711</b>	206,299
<b>Capital and reserves</b>		
Share capital (see note 26)	34,150	25,650
Reserves	313,561	180,649
<b>Total equity</b>	<b>347,711</b>	206,299

### 38. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

#### Movements of share capital and reserves of the Company

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2016	25,650	822,927	(162,876)	133,262	(616,618)	202,345
Profit for the year	—	—	—	—	7,962	7,962
Exchange difference arising on translation of presentation currency	—	—	(4,008)	—	—	(4,008)
Total comprehensive (expense) income for the year	—	—	(4,008)	—	7,962	3,954
Transfer upon the redemption of convertible bonds	—	—	—	(133,262)	133,262	—
	—	—	(4,008)	(133,262)	141,224	3,954
At 31 December 2016	25,650	822,927	(166,884)	—	(475,394)	206,299
Loss for the year	—	—	—	—	(17,534)	(17,534)
Exchange difference arising on translation of presentation currency	—	—	22,946	—	—	22,946
Total comprehensive income (expense) for the year	—	—	22,946	—	(17,534)	5,412
Share issued and allotted (note 26)	8,500	127,500	—	—	—	136,000
	8,500	127,500	22,946	—	(17,534)	141,412
At 31 December 2017	34,150	950,427	(143,938)	—	(492,928)	347,711

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 39. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2017, part of the outstanding principal amount of the other borrowing of HK\$136,000,000 was settled by the shares of the Company issued and allotted in relation to the Loan Capitalisation. Details are set out in note 24.

During the year ended 31 December 2016, the outstanding convertible bonds of the Company were directly settled by the Loan. Details are set out in note 24.

During the year ended 31 December 2016, the Group purchased plant and equipment with the amount of approximately HK\$61,548,000 under finance leases.

## 40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2017 and 2016 are as follows:

Name of the subsidiary	Place of incorporation and establishment/ operation	Issued and fully paid share capital/ registered capital		Proportion of ownership interest held by the Company				Principal activities
		2017	2016	Directly		Indirectly		
				2017	2016	2017	2016	
Alpha Allied Investments Limited	Hong Kong	HK\$1	HK\$1	100%	100%	—	—	Investment holding
Ever Success Global Holdings Limited	The British Virgin Islands (the "BVI")/ Hong Kong	US\$100	US\$100	100%	100%	—	—	Inactive
GPL	The BVI/Hong Kong	US\$100	US\$100	100%	100%	—	—	Investment holding
L'sea Biological Resources Hong Kong Company Limited	Hong Kong	HK\$60	HK\$60	—	—	100%	100%	Investment holding
萬嘉世紀貿易(深圳)有限公司 (note a)	The PRC	HK\$50,000,000	HK\$50,000,000	—	—	100%	100%	Inactive
Parksong	Hong Kong	HK\$10,000	HK\$10,000	—	—	100%	100%	Investment holding
Rise Champ Corporation Limited	Hong Kong	HK\$1	HK\$1	—	—	100%	100%	Inactive
Wise Up Investment Limited	Hong Kong	HK\$1,000	HK\$1,000	—	—	100%	100%	Investment holding
YTHK	Hong Kong	HK\$10,000	HK\$10,000	—	—	82%	82%	Investment holding
YTPAH	Australia	AUD1	AUD1	—	—	82%	82%	Exploration, development and mining of tin and copper bearing ores in Australia

Notes:

(a) Wholly foreign owned enterprise registered in the PRC.

#### 40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

None of the subsidiaries had issued any debt securities at the end of the year or during the year.

The table below shows details of non-wholly owned subsidiaries of the Group that has material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit for the year allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
YTHK and its subsidiary (YTPAH)	Hong Kong/ Australia	18%	18%	23,232	25,003	9,352	(10,029)

YTPAH engages in exploration, development and mining of tin and copper bearing ores in Australia through a joint operation (see note 14 for details).

Summarised financial information for the years ended 31 December 2017 and 2016 in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

## 40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

### YTHK and its subsidiary (YTPAH)

	2017 HK\$'000	2016 HK\$'000
Non-current assets	565,383	477,007
Current assets	269,382	214,927
<b>Total assets</b>	<b>834,765</b>	691,934
Non-current liabilities	(106,874)	(93,689)
Current liabilities	(675,994)	(654,022)
<b>Total liabilities</b>	<b>(782,868)</b>	(747,711)
<b>Net assets (liabilities)</b>	<b>51,897</b>	(55,777)
Revenue	428,938	377,628
Expenses	(354,545)	(409,143)
Reversal of impairment loss recognised on non-current assets	54,674	170,421
<b>Profit for the year</b>	<b>129,067</b>	138,906
Other comprehensive income (expense) for the year	8,488	(2,124)
<b>Total comprehensive income for the year</b>	<b>137,555</b>	136,782
Profit for the year attributable to		
— the owners of the Company	105,835	113,903
— non-controlling interests of YTHK	23,232	25,003
<b>Profit for the year</b>	<b>129,067</b>	138,906

**40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)**

YTHK and its subsidiary (YTPAH) (Continued)

	2017 HK\$'000	2016 HK\$'000
Other comprehensive income (expense) for the year attributable to		
— the owners of the Company	6,960	(1,743)
— non-controlling interests of YTHK	1,528	(381)
Other comprehensive income (expense) for the year	8,488	(2,124)
Total comprehensive income for the year attributable to		
— the owners of the Company	112,795	112,160
— non-controlling interests of YTHK	24,760	24,622
Total comprehensive income for the year	137,555	136,782
Dividends paid to		
— the owners of the Company	24,502	—
— non-controlling interests of YTHK	5,379	—
	29,881	—
Net cash inflow from operating activities	178,768	68,464
Net cash outflow from investing activities	(98,558)	(41,698)
Net cash outflow from financing activities	(44,957)	(7,048)
Net cash inflow	35,253	19,718

# Five-Year Financial Summary

## RESULTS

	Year ended 31 December				2017 HK\$'000
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	
Revenue	446,650	497,281	344,497	377,628	<b>428,938</b>
Profit (loss) attributable to owners of the Company	80,266	(23,465)	(144,343)	84,119	<b>25,402</b>

## ASSETS AND LIABILITIES

	As at 31 December				2017 HK\$'000
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	
Total assets	763,466	735,111	520,843	721,878	<b>858,899</b>
Total liabilities	(287,031)	(319,273)	(313,762)	(411,596)	<b>(338,585)</b>
Total equity	476,435	415,838	207,081	310,282	<b>520,314</b>