悅達礦業控股有限公司

Yue Da Mining Holdings Limited

Stock Code : 629

2017 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS:

Non-executive directors
Mr. Wang Lianchun
(Chairman of the Board)
Mr. Qi Guangya

Executive directors
Mr. Mao Naihe
(Vice Chairman of the Board)
Mr. Hu Huaimin *(Chief Executive)*
Mr. Bai Zhaoxiang

Independent non-executive directors
Mr. Cui Shuming
Dr. Liu Yongping
Mr. Cheung Ting Kee

AUDIT COMMITTEE:

Mr. Cheung Ting Kee *(Chairman)*
Mr. Qi Guangya and Mr. Cui Shuming

REMUNERATION COMMITTEE:

Mr. Cui Shuming *(Chairman)*
Mr. Mao Naihe and Dr. Liu Yongping

NOMINATION COMMITTEE:

Mr. Wang Lianchun *(Chairman)*
Mr. Cui Shuming and Dr. Liu Yongping

AUTHORISED REPRESENTATIVES:

Mr. Hu Huaimin
Mr. Bai Zhaoxiang

COMPANY SECRETARY:

Mr. Shum Chi Chung *FCPA*

AUDITOR:

Deloitte Touche Tohmatsu,
Certified Public Accountants

LEGAL ADVISERS AS TO HONG KONG LAW:

Jun He Law Offices

REGISTERED OFFICE:

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

Office nos. 3321-3323 and 3325
33/F, China Merchants Tower
Shun Tak Centre
No. 168-200 Connaught Road Central
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE:

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE:

Hong Kong Registrars Limited
Shop 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE:

00629 (Main Board of The Stock Exchange of Hong Kong Limited)

PRINCIPAL BANKERS:

China Merchants Bank
Bank of Communication
Standard Chartered Bank

WEBSITE:

www.yueda.com.hk

New Chapter of Yue Da

Wang Lianchun
Chairman

On behalf of the board ("Board") of directors ("Directors") of Yue Da Mining Holdings Limited (the "Company"), I am pleased to present to the shareholders the results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2017 (the "Year").

FINANCIAL PERFORMANCE

The Group took a big step in business transformation during the Year by disposing of the three long-time suspended mines and commenced the factoring business in the second half of the Year. Total revenue for the Year amounted to RMB79,477,000, of which it included the revenue of the original mining operations of RMB72,898,000 and new factoring business of RMB6,579,000 respectively. The mining operations revenue decreased by 13.6% when compared with the year ended 31st December, 2016 ("2016"). Audited loss and total comprehensive expenses attributable to the owners of the Company for the Year amounted to RMB25,736,000 (2016: RMB41,424,000) and basic loss per share amounted to RMB2.20 cents for the Year.

BUSINESS DEVELOPMENT

During the Year, the Group was principally engaged in the exploration, mining and processing of metal minerals (the "Mining Operations") and new factoring business (the "Factoring Business"), in which the latter offers trade finance, sales ledger management, customer credit rating, accounts receivable management and collection, credit risk guarantee, supply chain management and other related solutions in the People's Republic of China ("PRC").

Mining Operations

During the Year, international commodity market prices continued its growth momentum from last year. In addition, as mentioned below, Tong Ling Guan Hua was under suspension during the Year as influenced by government policy. Although Baoshan Feilong increased its production significantly, the overall revenue of Mining Operations dropped by 13.6%.

Under Normal Operation

Baoshan Feilong Nonferrous Metal Co., Ltd. ("Baoshan Feilong"), a subsidiary of the Company, has further strengthened its efforts in exploration activities and made a smooth progress as planned. Major products include zinc ore concentrates, lead ore concentrates and copper ore concentrates. During the Year, the prices of these products continued its growth momentum from last year, and production increased significantly during the Year and therefore, the overall revenue recorded a significant increase over last year.

Tong Ling Guan Hua Mining Company Limited ("Tong Ling Guan Hua"), a subsidiary of the Company, conducts mining operations in Tongling City, Anhui Province of the PRC. Major products include gold and stone for construction. During the Year and to date, various interim measures in relation to environmental protection and transportation were implemented by respective government authorities and had adversely affected delivery of products, which to a certain extent had disrupted our production plan and product delivery eventually. Sales of Tong Ling Guan Hua in 2018 are expected to be continuously affected as such measures are expected to be in force in the foreseeable future.

Under Suspension

Tengchong Ruitu Mining and Technology Company Limited ("Tengchong Ruitu"), Yaoan Feilong Mining Co., Ltd. ("Yaoan Feilong") and Zhen'an County Daqian Mining Development Co., Ltd. ("Daqian Mining"), subsidiaries of the Company, have been suspended since 2015, 2013 and 2008 respectively due to the weak metal market performance. The Group had successfully disposed of all the mining subsidiaries under suspension to independent third parties during the Year and the total gains arising from subsidiaries disposed were as follows:

	Date of Disposal	Disposal Consideration (RMB'000)	Total gains arising from subsidiaries disposed (RMB'000)
Daqian Mining	19th May 2017	3,050	6,948
Yaoan Feilong	6th November 2017	25,800	11,316
Tengchong Ruitu	30th December 2017	65,100	33,277
Total		93,950	51,541

Strategic Co-operation

To maintain recurring sales and cash flows to the Group, the Group entered into two strategic co-operation agreements with Zhuzhou Smelter Group Co. Limited ("Zhuzhou Smelter"), Yunnan Yuntong Zinc Alloy Company Limited ("Yunnan Yuntong") respectively, each with a term of 10 years. The details of which were disclosed in the announcements of the Company dated 22nd December, 2009. The above agreements continued to be in force during the Year.

PROSPECTS

Looking forward to 2018, the environment of the mining business is still uncertain, the Group will focus on the development of the new factoring business after completing the disposal of the suspended production facilities. In light of the recent business environment and financial conditions of the Group, the Directors endeavor to seek suitable business opportunities in the financial sector to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the shareholders as a whole.

APPRECIATION

Finally, I would like to take this opportunity to express my gratitude to the Directors, management personnel and all staff for their contributions to the development of the Group. Likewise, I would like to express my appreciation to the shareholders for their support. The Group is fully committed to do its best to bring higher returns to shareholders.

By order of the Board

Wang Lianchun
Chairman

Hong Kong, 20th March, 2018

The Mining Operations and Factoring Business recorded audited operating revenue of RMB72,898,000 and RMB6,579,000 respectively for the year ended 31st December, 2017. The audited total assets of the Group amounted to RMB1,155,466,000 as at 31st December, 2017.

FINANCIAL HIGHLIGHTS

The mining operations and the new factoring business of Group recorded an operating revenue of RMB72,898,000 and RMB6,579,000 respectively for the Year, the mining operations revenue decreased by approximately 13.6% when compared with RMB84,370,000 in 2016. In addition, Tong Ling Guan Hua recorded impairment losses on mining rights, property, plant and equipment and goodwill of RMB117,592,000, RMB17,398,000 and RMB2,119,000 respectively due to the impact of suspension. During the Year, the Company completed its business transformation and disposed of the discontinued Daqian Mining, Yaoan Feilong and Tengchong Ruitu successfully with gains arising from subsidiaries disposed of RMB6,948,000, RMB11,316,000 and RMB33,277,000 respectively. The audited loss and total comprehensive expenses attributable to the owners of the Company reduced from RMB41,424,000 in 2016 to RMB25,736,000 for the Year and basic loss per share amounted to RMB2.20 cents for the Year.

DIVIDENDS

The Board did not recommend the payment of any dividend for the Year (2016: nil).

BUSINESS REVIEW

Overview

The Group is principally engaged in Mining Operations and Business Factoring Operations. During the Year, the Mining Operations and Business Factoring Operations realized an operating revenue of RMB72,898,000 and RMB6,579,000 respectively with a segment loss of RMB136,693,000 and segment profit of RMB4,315,000 respectively.

Mining Operations

During the Year, the Mining Operations recorded an operating revenue of RMB72,898,000 (2016: RMB84,370,000). The ores extracted during the Year amounted to 101,186 tons (2016: 347,476 tons) with a unit mining cost of approximately RMB136.9 per ton (2016: RMB49.8 per ton) and unit processing cost of approximately RMB140.4 per ton (2016: RMB119.7 per ton). Production volume in Mining Operations dropped significantly during the Year, particularly in Tong Ling Guan Hua. As the major part of mining cost is fixed in nature, average costs during the Year increased substantially accordingly. In addition, additional mining costs were incurred for fulfilling the requirements of environmental protection as required by applicable laws, rules and regulations.

The table below sets out the Mining Operations by products for the two years ended 31st December, 2017 and 2016:

	Processing Volume			Average price (net of tax)		
	2017	2016	% change	**2017**	2016	% change
Zinc ore concentrates (in metric tons)	**3,223.37**	2,380.24	+35.42	**15,170.15**	8,958.76	+69.33
Lead ore concentrates (including silver) (in metric tons)	**627.57**	520.52	+20.57	**13,566.43**	10,337.45	+31.24
Copper ore concentrates (in metric tons)	**106.16**	62.34	+70.29	**32,002.25**	24,639.92	+29.88
Gold (in grams)	**26,287.97**	43,128.55	–39.05	**275.10**	262.31	+4.88
Stone for construction (in tons)	**60,709.32**	1,209,118.57	–94.98	**23.63**	23.76	–0.55

The following table summaries the operating performance of each mining company during the Year:

Name of subsidiary	Products	Revenue RMB'000	Proportion of the Group (%)
Baoshan Feilong	Lead, zinc and copper ore concentrates	64,838	88.94
Tong Ling Guan Hua	Gold and stone for construction	7,699	10.56
Tengchong Ruitu	Production suspended since 25th April, 2015	361	0.50
Daqian Mining	Production suspended since 21st November, 2008	–	–
Yaoan Feilong	Production suspended since 20th May, 2013	–	–
Total		72,898	100

Factoring business

During the Year, the factoring business was conducted in the second half of the year and recorded an operation revenue of RMB6,579,000. Loans with total amount of RMB57,000,000 was granted, and recorded interest income and fee income of RMB1,033,000 and RMB692,000 respectively. In addition, consultancy services were provided during the year, and recorded service fee income of RMB4,854,000.

IMPORTANT EVENTS DURING THE YEAR

Investment in Vietnam

On 21st January, 2013, the Company announced that Yue Da Mining Limited ("YDM"), a wholly-owned subsidiary of the Company, entered into the following agreements:

(i) a conditional subscription agreement ("Subscription Agreement") for the subscription of 60% (as enlarged upon completion of the Subscription Agreement) of the issued share capital of Everwise Technology Limited ("Everwise") at US$6 million; and New Aims Holdings Limited ("New Aims") shall subscribe 40% (as enlarged upon completion of the Subscription Agreement) of the issued share capital of Everwise at US$4 million;

(ii) a conditional loan agreement ("Loan Agreement") to grant to Mineral Land Holdings Limited ("Mineral Land") a term loan facility up to US$16 million for a term of one year, which carries a fixed-sum of US$1 million interest; and

(iii) a call option deed ("Call Option Deed") pursuant to which Solid Success International Limited ("Solid Success") has granted an option to YDM to enter into a sale and purchase agreement to sell (a) the entire issued share capital of Mineral Land and (b) the benefit of shareholder's loan from Solid Success to Mineral Land at not more than US$36 million (subject to adjustment). The Call Option Deed lapsed on 31st December, 2014.

YDM has paid a deposit of US$3 million ("Everwise Deposit") under the Subscription Agreement. The Subscription Agreement lapsed on 31st December, 2014 and the Everwise Deposit should be repaid to YDM on or before 12th January, 2015.

YDM has a sum of US$9 million (comprising principal sum of US$8 million plus accrual interest of US$1 million) (the "Loan") advanced to Mineral Land, the Loan was due on 23rd January, 2015.

A settlement agreement ("2015 Loan Settlement Agreement") was entered into between New Aims, Everwise, I-Treasure, Mineral Land and YDM on 9th October, 2015. Pursuant to the Settlement Agreement, partial repayment of the principal amount of the Loan Agreement totaling US$2,000,000 was received by the Group and the Everwise Deposit was settled on 23rd November, 2015.

On 22nd December, 2017, Mineral Land entered into a new settlement agreement ("2017 Loan Settlement Agreement") with YDM and the original project promoter ("I3PB") and the contents are as follows:

(a) Mineral Land agrees to pay YDM a sum of US$300,000 as partial satisfaction for the repayment of the loan on or before 31 December 2017.

(b) YDM agrees to give Mineral Land concessions in that Mineral Land may defer repayment of the remaining outstanding amount of the loan, by four instalments in accordance with the timetable.

(c) Mineral Land shall execute a deed of share charge ("Deed of Share Charge") charging the entire issued share capital of the BVI Subsidiary (the "BVI Subsidiary"), a company established under the laws of the British Virgin Islands, which its entire issued share capital is legally and beneficially owned by Mineral Land directly, to the satisfaction of YDM, in favour of YDM, as security for repayment in whole of the loan, and YDM shall assign its rights and benefit under the Duong Lam share pledge to the BVI Subsidiary ("Deed of Assignment"). According to the 2017 Loan Settlement Agreement, the Deed of Share Charge and Deed of Assignment should be completed within 90 days. All parties agreed to extend the completion date to 30 June 2018 on 20 March 2018.

As at the date of this report, the outstanding loan owed by Mineral Land was US$5.7million.

Please refer to the circular of the Company dated 17th April, 2013 and the announcements of the Company dated 17th October, 2013, 23rd January, 2014, 30th June, 2014, 24th December, 2014, 5th January, 2015, 23rd November, 2015 and 22nd December, 2017 for details of the above transactions.

On 5th September, 2013, the Company announced that YDM entered into a conditional sale and purchase agreement with Ms. Truong Thi Kim Soan (the "Vendor") to acquire 100% equity interests and related shareholder's loan of Expert Union Investments Limited and Sky Modern Investments Limited ("Target Companies") at a consideration of US$34 million (subject to adjustment) ("Acquisition Agreement"). The principal asset of the Target Companies is 100% equity interests in Sao Mai Joint Stock Company ("Sao Mai"), a Vietnam company principally engaged in the exploration of the mine which contain ilmenite, zircon, rutile and monazite ore deposits located in Hong Phong Ward and Hoa Thang Ward, Bac Binh District, Binh Thuan Province, Vietnam, which covers an aggregate site area of not less than 320 hectares, where the mining license in respect of which is to be held by Sao Mai.

On 20th March, 2017, a settlement agreement ("2017 Deposits Settlement Agreement") was entered into between the Vendor, YDM and the Purchaser, pursuant to which, the Vendor agreed to settle all outstanding balances by five instalments before the end of 2018. However, the Vendor failed to settle the balances according to the agreed schedule. The Group is actively negotiating with the Vendor with an aim to reach a new executable settlement agreement. As of 31st December, 2017, Sao Mai owes a deposit of about US$6,245,000.

Please refer to the announcements of the Company dated 5th September, 2013, 30th June, 2014, 24th December, 2014, 20th March, 2017 and 8th June, 2017 for details of the above transactions.

Impairment losses

During the Year, the Mining Operations segment recorded impairment losses on mining rights, property, plant and equipment and goodwill of RMB117,592,000 (2016: nil), RMB17,398,000 (2016: nil) and RMB2,110,000 (2016: nil), respectively, on the related assets of a subsidiary (Tong Ling Guan Hua), principally due to several policies relating to environmental protection and transportation implemented by related government bureaus.

Prospects

Although global raw material prices showed continuous rebound, the performance of Baoshan Feilong mining business showed significant improvement when compared with 2016. However, Tong Ling Guan Hua's future production has tremendous uncertainties due to certain temporary measures relating to environmental protection and transportation imposed by respective government authorities.

Looking forward to 2018, the environment for the mining business is still uncertain and the Group has shifted its business focus to factoring business since the second half of 2017, and will focus on the factoring business in the future. In light of the recent business environment and financial condition of the Group, the Directors endeavor to seek business opportunities in the financial industry to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the shareholders as a whole.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15th May, 2018 to 18th May, 2018, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to determine the identity of the shareholders of the Company who are entitled to attend and vote at the annual general meeting (the "AGM") of the Company to be held on 18th May, 2018, all transfer of shares in the Company accompanied by the relevant share certificates must be lodged with the Company's branch shares registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 14th May, 2018.

Notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") in due course.

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

As at 31st December, 2017, the Group's current assets were RMB693,154,000 (2016: RMB189,867,000), of which RMB506,240,000 (2016: RMB108,476,000) were bank balances and cash. As at 31st December, 2017, the net asset value of the Group amounted to RMB414,123,000, representing a decrease of approximately 12.5% as compared to RMB473,056,000 in 2016. The gearing ratio (total liabilities/total assets) of the Group was approximately 64.2% (2016: 42.6%).

Borrowings

As at 31st December, 2017, corporate bonds amounted to RMB138,003,000 (2016: RMB145,024,000), respectively. Corporate bonds are denominated in Hong Kong dollars, charging at fixed rate and repayable in 2019.

Use of proceeds from subscription of New Shares

On 11th November 2016, a subscription agreement (the "Subscription Agreement") was entered into between the Company and Yue Da Group (H.K.) Co., Limited ("Yue Da HK"), the controlling shareholder of the Company. Pursuant to the Subscription Agreement, Yue Da HK has conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue 250,000,000 new shares at the subscription price of HK$0.38 per share to Yue Da HK, with an aggregate consideration of RMB$95 million received. During the Year, the proceeds from the subscription of New Shares was applied to operating activities, finance costs and additions of property, plant and equipment and mining rights at the amounts of RMB46.3million, RMB9.8million and RMB16.6million respectively. The remaining of the proceeds of approximately RMB12.3 million will be applied towards the general working capital of the Group.

FOREIGN CURRENCY EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong dollars. During the Year, most of the transactions were denominated and settled in Renminbi. The Group was not engaged in any hedging by financial instruments in relation to exchange rate risk. However, the Group will closely monitor the fluctuation in exchange rate and will take necessary measures to minimise the impact arising from adverse currency fluctuation.

CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2017 and 31st December, 2016, the Group did not have any guarantees and charges nor any other material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31st December, 2017, the Group had a total of approximately 321 employees (where they were located in Hong Kong and the PRC), engaged in management, administration and mining. The management reviewed the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practices. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the Year, the Group provided various training courses on relevant business or skills for its management and staff at different levels.

PRINCIPAL RISKS

The Group's financial position, business results and prospects would be affected by a number of risks. The mining operation is vulnerable to policy risks, risks of macro-economy and safety production while the new business factoring operation is exposed to credit risk and liquidity risk. Besides, several assets and liabilities of the Group are denominated in currencies other than Renminbi and are susceptible to foreign exchange risk. The Group's principal risks and uncertainties and the risk management measures are set out on pages 36 to 37 of the Annual Report.

ENVIRONMENTAL POLICIES AND PRACTICE

The Group is committed to the long term sustainability of the environment and communities. The Group endeavours to comply with laws and regulations regarding environmental protection and production safety. The Group has adopted green initiatives and measures in its mining operations such as backfilling of mine tailings, waste water recycling and tree plantation around mine areas.

The Company, as a listed company in Hong Kong, is committed to enhance its corporate governance level.

The Board and the management of the Company are responsible for the formulation and strict implementation of a sound corporate governance structure and code, so as to improve the accountability system and transparency of the Company, protect the interests of and create value for shareholders.

In the opinion of the Board, the Group has complied with all of the code provisions of the Corporate Governance Code ("Code") as set out in Appendix 14 to the Listing Rules throughout the Year, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 19th May, 2017 (the "2016 AGM") and (deviated from code provision E.1.2) due to other business commitment. Nevertheless, one of the executive Directors attended and acted as the chairman of the 2016 AGM; (ii) Mr. Qi Guangya, being a non-executive Director, was not able to attend the 2016 AGM, (deviated from code provision A.6.7) due to his other business commitments. Nevertheless, each of these Directors has passed their opinion to the chairman of the 2016 AGM before its commencement; and (iii) the non-executive Directors are not appointed for a specific term (deviated from code provision A.4.1). However, all non-executive Directors are subject to retirement and rotation once every three years in accordance with the Company's Articles of Association.

BOARD OF DIRECTORS

Pursuant to the Code, an issuer should be headed by an effective board of directors which should assume responsibility for leadership and control of the company and be collectively responsible for promoting the success of the company by directing and supervising the company's affairs. The Board should make decisions objectively in the interests of the Company. The Board is committed to the improvement of the corporate governance system of the Company and is ultimately responsible for formulating and implementing strategies and the operating results of the Company. The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. The Board steers and oversees the management of the Company such as, establishing strategic direction and setting long term objectives of the Company, monitoring performance of management, protecting and maximizing the interests of the Company and its shareholders, and reviewing and monitoring of annual budget against actual performances and results. The Board has delegated management, under the leadership of the Chief Executive, with authorities and responsibilities for the day-to-day operations and administration of the Group and has specified a schedule of matters which should be reserved to the Board and which should be delegated to management.

The main duties of the Board include:

1) to determine the strategies, objectives, policies and business plans of the Company and monitor the implementation of the strategies of the Company;

2) to monitor and control the operating and financial performance of the Company and establish appropriate risk management policies and procedures to ensure the implementation of the Company's strategic objectives;

3) to supervise the performance of the senior management and determine their remuneration; and

4) to perfect the corporate governance structure and facilitate communication with shareholders.

The Company has established internal guidelines to clarify matters which require approval of the Board. Under the guidelines, the Board's approval is required for significant financing programs of the Company, such as investment plans, merger and acquisition or disposal of major assets, major capital expenditure and external borrowings.

The Board is also committed to perform the following tasks as set out in the Code D.3.1:

1) to develop and review the Company's policies and practices on corporate governance;

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

3) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

4) to develop, review and monitor the code of conduct and compliance manual of employees and directors; and

5) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The Board has set up three standing committees, namely, the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee ("Nomination Committee") with specific duties, power and written terms of reference. The chairman of each committee reports to the Board regularly and advises on matters for discussion when necessary. Attendance of each of the Directors to meetings of the Board and each of the committees during the Year was set out as follows:

	General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	1	10	3	1	1
Attendance					
Chairman and non-executive Directors					
Wang Lianchun	0	1	0	0	1
Non-executive Directors					
Qi Guangya	0	2	1	0	0
Executive Directors					
Mao Naihe	1	10	0	1	0
Hu Huaimin	0	10	0	0	0
Bai Zhaoxiang	0	10	0	0	0
Independent non-executive Directors					
Cui Shuming	1	9	3	1	1
Liu Yongping	1	10	0	1	1
Cheung Ting Kee	1	7	3	0	0

Every Directors has sufficient time and attention to deal with the affairs of the Group. The Board considers the composition of executive Directors and independent non-executive Directors is rational and appropriate and provides adequate checks and balances to safeguard the interests of shareholders and the Group.

The Company also maintains on its website (www.yueda.com.hk) an updated list of its Directors identifying their roles and functions and whether they are independent non-executive Directors. Members of the Board, with different backgrounds and possessing different expertise, have extensive experience in corporate planning and operation management, capital market, financial accounting, auditing and so forth as a whole.

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

There is no relationship (including financial, business, family and other material/relevant relationship) among the members of the Board (including between the Chairman and the Chief Executive).

The Company encourages the Directors to participate in the continuous professional development programme to develop and update their knowledge and skills to ensure that they are equipped with all information and can continue to contribute to the Board when required. The Company is responsible for the costs of such programme. During the Year, all Directors are committed to comply with Code A.6.5 and have attended training on topics such as update on the Listing Rules.

According to the records provided by the Directors, a summary of training received by the Directors during the Year is as follows:

	Type of continuous professional development activities
Mr. Wang Lianchun	A, B
Mr. Qi Guangya	A, B
Mr. Mao Naihe	A, B
Mr. Hu Huaimin	A, B
Mr. Bai Zhaoxiang	A, B
Mr. Cui Shuming	A
Dr. Liu Yongping	A, B
Mr. Cheung Ting Kee	A, B

Notes:

A Attending seminars and/or conferences and/or forum

B Reading materials relevant to the latest development of business of the Group, the Listing Rules and other applicable regulatory requirement

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the execution of and discharge of their duties or in relation thereto, the Company has arranged insurance for this purpose.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of chairman and chief executive are separated to ensure a balance of power and authority and that power is not concentrated in any one individual.

The functions of the Chairman and the chief executive of the Company are clearly segregated. The present Chairman of the Board, Mr. Wang Lianchun, is responsible for providing leadership for the Board. His main responsibility is to ensure that the Board works effectively and that all key and appropriate issues are discussed by it in a timely manner. The Chairman is also responsible for ensuring that good corporate governance practices and procedures are established and followed. The Chairman is also responsible for ensuring appropriate steps be taken to provide effective communication with the shareholders and that the views of shareholders are communicated to the Board as a whole.

The present chief executive of the Company, Mr. Hu Huaimin is responsible for the overall business operations of the Group focusing on strategic planning and business development.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as provided in Appendix 10 to the Listing Rules. All Directors of the Company, in response to the specific enquiries made by the Company, confirmed that they have complied with the requirements set out in the Model Code throughout the Year.

NON-EXECUTIVE DIRECTORS

Each of Mr. Wang Lianchun and Mr. Qi Guangya has been appointed as a non-executive Director whereas each of Mr. Cui Shuming, Dr. Liu Yongping and Mr. Cheung Ting Kee has been appointed as an independent non-executive Director. The non-executive Directors are not appointed for a specific term, however, all non-executive Directors are subject to retirement and rotation once every three years in accordance with the Company's articles of association.

Directors' responsibility for the Financial Statements

The Directors acknowledge their responsibility for overseeing the preparation of the financial statements of the Group for the Year. The Directors ensure the financial statements of the Group be prepared so as to give a true and fair view of the Group's state of affairs, the results and cash flow for the Year, and on a going concern basis in accordance with the statutory requirements and applicable accounting and financial reporting standards.

The Directors also ensure timely publication of the Group financial statements and aim to present a clear, balanced and understandable assessment of the Group's performance and position through all its publications and communications to the public and is aware of the requirements under the applicable rules and regulations about timely disclosure of inside information.

The report from the auditor of the Company regarding their responsibilities and opinion on the financial statements of the Group for the Year is set out in the "Independent Auditor's Report" to this annual report. The Board has taken steps to ensure the continued objectivity and independence of the external auditor. For the Year, the remuneration paid/payable to the external auditor of the Company were approximately HK$2,800,000 in respect of the audit and non audit services provided to the Group respectively. Details of the significant non audit services and the related amount are as follows:

Review of continuing connected transactions	HK$50,000

The Company has adopted a board diversity policy ("the Policy") which sets out the approach to achieve and maintain diversity on the Board in order to maintain a competitive advantage of the Board. Pursuant to Policy, the Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to the talents, skills, regional and industry experience, background, gender and other qualities. The Board will from time to time consider to set measurable objectives to implement the Policy and review such objectives to ensure their appropriateness and ascertain the progress made towards achieving those objective. During the Year, the Board has not set any measurable objectives to implement the Policy.

BOARD COMMITTEES

Audit Committee

Pursuant to the Code, a board of directors should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditor. The audit committee established by an issuer pursuant to the Listing Rules should have clear terms of reference.

The Board has established the Audit Committee. As a standing committee of the Board, the Audit Committee is mainly responsible for monitoring the completeness of the financial statements and regular reports issued by the Company and reviewing the financial control, internal control and risk management system of the Company. The members of the Audit Committee comprised Mr. Cheung Ting Kee and Mr. Cui Shuming, both being independent non-executive Directors, and Mr. Qi Guangya, a non-executive Director, with Mr. Cheung Ting Kee as the chairman of the Audit Committee.

The terms of reference of the Audit Committee setting out the committee's authority and duties are available from the Company's website.

The main duties of the Audit Committee include, but not limited to:

(1) to be responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and to handle any questions on resignation or dismissal of any relevant auditor;

(2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(3) to develop and implement policy on the engagement of an external auditor to supply non-audit services and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

(4) to monitor the integrity of the financial statements, annual report and accounts and interim report and to review significant financial reporting judgements contained therein;

(5) to review the Company's financial control, internal control and risk management systems;

(6) to discuss the risk management and internal control system with the management and ensure that management has performed its duty in establishing an effective internal control system;

(7) to consider any findings of major investigations or risk management and internal control matters and management responses as delegated by the Board or on its own initiative;

(8) to review the Group's financial and accounting policies and practices;

(9) to review the external auditor's management letter to the management of the Company, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;

(10) to ensure that the Board will provide a timely response to the issues raised in the management letter from the external auditor to the management; and

(11) to report to the Board on the matters set out in the Code; and consider other topics, as defined by the Board.

The Audit Committee held three meetings during the Year, at which the Audit Committee reviewed the annual report and interim report of the Company and matters relating the connected transactions and made recommendations to the Board. The Audit Committee also reviewed the risk management and internal control system of the Company. The Board and the Audit Committee concurred in their opinions regarding the election and appointment of the external auditor.

Remuneration Committee

The Company has set up the Remuneration Committee with written terms of reference, whose members are currently Mr. Cui Shu Ming (Chairman of the Remuneration Committee, an independent non-executive Director), Dr. Liu Yongping (an independent non-executive Director) and Mr. Mao Naihe (an executive Director). Regular meetings are held by the committee to review and discuss matters relating to the remuneration policy, remuneration levels and the remuneration of executive Directors.

The terms of reference of the Remuneration Committee setting out the committee's authority and duties are available in the Company's website.

The principal role of the Remuneration Committee is to provide advice and recommendation to the Board on the remuneration package of Directors, on any specific remuneration package with reference to market conditions, performance of the Group and the individuals against present goals and targets as set by the Board from time to time, and if necessary, on any compensation policy for termination of office of Directors.

The Remuneration Committee held one meeting during the Year, in the meeting, the Remuneration Committee reviewed and recommended (i) the remuneration package and performance of Directors; and (ii) adjustment of the fees for certain directors.

The emolument payable to Directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee and approved by the Board. Details of the Directors' remuneration are set out in Note 8 to the consolidated financial statements.

Nomination Committee

The Company has set up the Nomination Committee with written terms of reference, whose members are currently Mr. Wang Lian Chun (Chairman of the Nomination Committee, Chairman of the Board and a non-executive Director), Mr. Cui Shuming (an independent non-executive Director) and Dr. Liu Yongping (an independent non-executive Director). Duties of the Nomination Committee include reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and experience.

The terms of reference of the Nomination Committee setting out the committee's authority and duties are available in the Company's website.

The principal duties of the Nomination Committee are as follows:

1. reviews the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. identifies individuals suitably qualified to become Board members and selects or makes recommendations to the Board on the selection of individuals nominated for directorships;

3. assesses the independence of the independent non-executive Directors; and

4. makes recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

During the Year, one meeting was held to (i) review the existing structure, size and composition of the Board; (ii) confirm independence of independent non-executive Directors; and (iii) make recommendation to the Board on the proposed re-election of the retiring Directors at the forthcoming annual general meeting.

Internal controls

The Board has an overall and ongoing responsibility for the internal control system and risk management procedures of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing at least once a year and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the Year, the Board has entrusted the Audit Committee and appointed professional internal control consultant with the responsibility to assess risk of the Company and perform the agreed-upon procedures in relation to the internal controls of the main business of the Company. The risk assessment report documented the major business risks and developed the 3-year internal audit plan. The agreed-upon procedures report provided factual findings of whether the internal control procedures of the main business of the Company are suitably designed to achieve specified control objectives with recommendations proposed for the Company to further improve its internal control system. The Group is committed to the identification, monitoring and management of risks associated with its business activities.

The Board reviews the effectiveness of the Group's material internal controls and considers the Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts. The Board is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

Company Secretary

Mr. Shum Chi Chung was appointed as the Company Secretary with effect from 18th August, 2015. All Directors have access to the advices and services of the Company Secretary. During the year ended 31st December, 2017, Mr. Shum Chi Chung has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

Investors' Relations and Communication with Shareholders

Pursuant to the Code, a board of directors should endeavour to maintain an on-going dialogue with shareholders and, in particular, to communicate through annual general meetings with shareholders and encourage their participation. The company should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the company.

The Company, the Board and the management place high regard on the opinions and needs of shareholders.

The Company attempts to enhance the communication with its shareholders through publishing interim and annual results and reports and press releases as well as announcing publicly its latest developments on its website (www.yueda.com.hk).

Shareholders may also receive the latest information released by the Company electronically. The annual general meeting of the Company is a communication channel between the shareholders and the Board members, including independent non-executive Directors and the senior management. The chairman of the Board and chairmen of each committee shall try their best to attend the meeting to answer questions raised by the shareholders. During the Year, the Company held the 2015 AGM and EGM, at which a separate resolution was proposed in respect of each motion.

The procedures for and the rights of shareholders to demand for a poll and details of the proposed resolutions were disclosed in the circular sent to shareholders prior to each of the general meeting.

The Company is committed to ensure that it is fully compliant with the disclosure obligations stipulated under the Listing Rules and other applicable laws and regulations, and that all shareholders of the Company and potential investors have an equal opportunity to receive and obtain externally available information released by the Group.

During the Year, the Company has not made any changes to its articles of association.

Shareholders' Rights

Pursuant to article 64 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company having 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 months after the deposit of such requisition. If within 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.

The above written requisition shall be addressed to the Company's head office at:

Room 3321-23 and 3325, 33rd Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Sheung Wan, Hong Kong

The procedures for proposing a person for election as a Director are set out in the section "Investor Relations" on the home page of the Company's website.

To put forward proposals at an annual general meeting or an extraordinary general meeting, the shareholders shall submit a written notice of those proposals with the detailed contact information to the company secretary of the Company at the Company's registered office.

The request will be verified with the Company's branch share registrar in Hong Kong and upon its confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to include the resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to article 65 of the articles of association of the Company:

(a) for an annual general meeting and any extraordinary general meeting at which the passing of a special resolution is to be considered, it shall be called by at least 21 days' notice in writing; and

(b) for all other extraordinary general meetings, they may be called by not less than 14 days' notice in writing.

Shareholders may at any time send their enquiries to the Board in writing through the company secretary of the Company.

SCOPE AND REPORTING PERIOD

This is the second Environmental, Social and Governance ("ESG") report by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The Group principally engaged in exploration, mining, processing and sale of metal minerals. This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the mining operation of Baoshan Feilong Nonferrous Metal Company Ltd. ("Baoshan Feilong"), from 1 January 2017 to 31 December 2017, unless otherwise stated. Baoshan Feilong conducts mining operations in Baoshan City, Yunnan Province of the People's Republic of China ("PRC"). Major products are zinc ore concentrates, lead ore concentrates and copper ore concentrates.

Tong Ling Guan Hua Mining Company Ltd. ("Tong Ling Guan Hua") had insignificant production in the reporting period due to several environmental protection policies implemented by related government bureaus. Therefore, its operation was excluded from the scope. The factoring business operation was also excluded from the scope due to its insignificant contribution to the Group's revenue and its environmental and social impacts.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions including annual general meetings, regular operational meetings and focus groups to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at frankie@yueda.com.hk.

THE GROUP'S VISION ON ENVIRONMENT, SOCIAL AND GOVERNANCE

As a leading state-owned enterprise in China, the Group's shareholder has a good reputation in terms of social responsibility. The Group attaches great importance to corporate integrity and production safety while emphasizing social responsibility, which earned it several recognitions in respect of corporate integrity, production safety and contribution to the society.

The Group will continue to adhere to its traditional spirit – clinging to environmental protection and valuing corporate social responsibility on the premise of production safety. Furthermore, the Group will, as always, attach great importance to ecological and environmental protection and observe the concept of sustainable development by way of scientific production.

CHALLENGES AND FUTURE DIRECTIONS

Safety has always been a concern of the mining industry as well as the Group. The Group faces challenges in improving safety conditions of the mining area and reinforcing employees' awareness on occupational safety. For that reason, in the next reporting period, the Group will:

- Refine its safety management system;
- Strengthen enforcement of safety procedures;
- Reinforce its award and penalty system regarding safety production; and
- Increase promotion on occupational health and safety.

The Group will also ensure wastewater discharge quality, reduce dust emission and enhance greening area so as to improve its environmental performance in the next reporting period.

A. Environmental

1. *Business Impact and Legal Compliance*

Types of emission sources from Baoshan Feilong in the reporting period were mainly petrol, diesel and electricity, with generation of non-hazardous waste and industrial wastewater. Baoshan Feilong was in compliance with the Mine Safety Law and the Production Safety Law of the PRC. The Group treats air emission and water discharge in accordance with the Emission Standard of Pollutants for Lead and Zinc Industry (GB 25466-2010) of the PRC, and the quality is tested by third-party testing laboratories. 1 exceedance case regarding wastewater discharge was recorded in the reporting period, in which remedial actions had been taken to ensure the parameters meet the statutory requirements for discharge.

Total mining area coverage of Baoshan Feilong was 2,373 m^2 and its production (including zinc, lead and copper products) in the reporting period was 3,957.07 tonnes. Intensities below are calculated in Baoshan Feilong's emission or consumption per tonnes of metal concentrates production.

2. *Greenhouse Gas Emission*

Scope of Greenhouse Gas Emissions	Emission Sources	Emission (in tCO_2e)	Total Emission (in %)
Scope 1			
Direct Emissions	Petrol consumed by vehicles	33.59	4%
	Diesel consumed by machineries	243.87	
Scope 2			
Indirect Emissions	Purchased Electricity	6,511.81	96%
Scope 3			
Other Indirect Emissions	N/A	N/A	N/A
Total		6,789.27	100%

Note 1: Emission factors were made by reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Combined margin emission factor of 0.63 tCO_2/MWh was used for purchased electricity in Yunnan Province of the PRC.

There were 6,789.27 tonnes (emission intensity: 1.72 tCO_2e/t) of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from Baoshan Feilong's operation in the reporting period.

3. *Emission Sources*

(i) Petrol and Diesel

A total of 12,404.10 litres of petrol and 93,200 litres of diesel were used for motor vehicles, machineries including excavator, and forklift in the reporting period, contributing to 272.46 tonnes of carbon dioxide equivalent and a total of 1.68 kg of sulphur oxides emission. The indirect energy consumption for petrol and diesel were 109,920.91 kWh (energy intensity: 27.78 kWh/t) and 931,846 kWh (energy intensity: 235.4 kWh/t) respectively.

Emissions of nitrogen oxides and particulate matter was not calculated due to unavailable data in the reporting period. Baoshan Feilong will collect respective data in the next reporting period.

(ii) Electricity

The electricity consumption by the Group was 10,336,200 kWh (energy intensity: 2,612.08 kWh/m^2), contributing to 6,511.81 tonnes of carbon dioxide equivalent.

(iii) *Water*

Baoshan Feilong consumes surface water for its operation. Water consumption by Baoshan Feilong was 98,230 m^3 (water intensity: 24.82 m^3/t). 73,672.50 m^3 of water was recycled in the ore dressing process.

(iv) *Hazardous Waste*

Baoshan Feilong generates small amount of waste lubricant oil which was collected by vehicle repairing workshops.

(v) *Non-hazardous Waste*

89,705 tonnes of mine tailings (waste intensity: 22.67 t/t) were generated in the reporting period. Mine tailings were used for mine backfill. During the reporting period, Baoshan Feilong was penalised and fined by the Ministry of Environmental Protection of Baoshan City of the PRC for its involvement in improper disposal of non-hazardous waste to water bodies. Baoshan Feilong had taken remedial actions to ensure compliance with the statutory requirements.

(vi) *Industrial Wastewater*

24,557.50 m^3 of wastewater (wastewater intensity: 6.21 m^3/t) was generated from dewatering of mine tailings. The wastewater was treated by sedimentation before discharging to the river. There was 1 exceedance case regarding wastewater discharge recorded in the reporting period, in which COD and pH of discharging wastewater exceeded the statutory requirements. Baoshan Feilong had taken remedial actions to ensure that the parameters meet the statutory requirements for discharge. It was planning to construct another wastewater treatment tank for wastewater treatment to avoid reoccurrence.

4. *Environmental Initiatives*

Baoshan Feilong has adopted the following environmental initiatives:

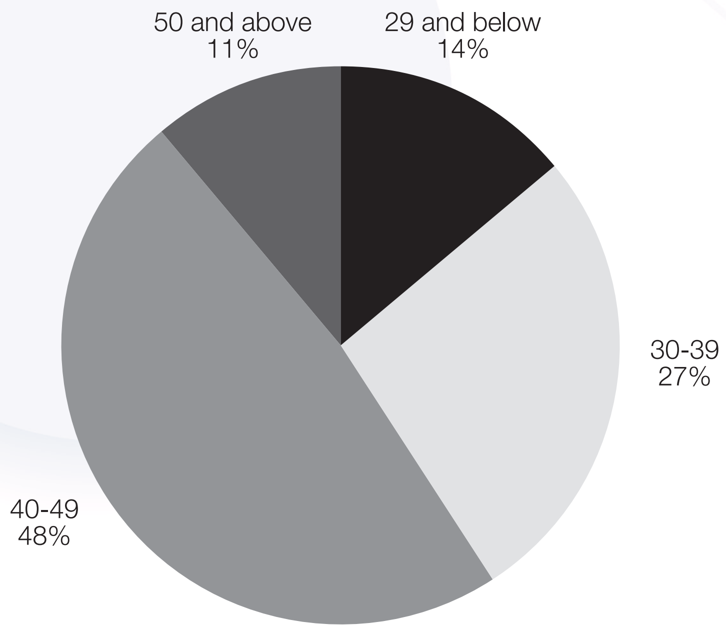
- Backfilled mine tailings to reduce adverse environmental impact to the environment;
- Recycled wastewater in the ore dressing plant (recycling rate 75%); and
- Planted more than 600 trees and grew 200 kg of grass cover near the mining area.

B. Social

1. Employment and Labour Practices

(i) Employment

Baoshan Feilong had a total number of 273 employees as of 31 December 2017, in which all employees are from various provinces in PRC.



Competitive Compensation and Benefits Package

Employees are entitled to basic salary with various allowance as per their job positions, duties, experience and work performance. Basic social insurance including pension, medical, work-related injury, unemployment compensation and maternity. Various types of leave are provided including annual, sick, work-related injury, marriage, maternity and compassionate leave. The Group reviews employees' salary annually and provides subsidies on telecommunication charge and meals. Employees living 200 kilometres from the workplace are also entitled to 1.5 days of transportation leave per year. No material non-compliance in relation to employment laws and regulations was recorded during reporting period.

Internal Promotion and Dismissal

Internal promotion and salary increment are offered to existing employees and selection is based on reviewed work capability, attitude, and quality of work of employees through performance appraisals. Employees' performance is reviewed during probation period and year end.

Employees are required to inform the Group about their preference on termination or renewal of the employment contract 30 days before contract expiration. The Group provides economic compensation to employees in situations stated in the Labour Contract Law of the PRC.

Equal Opportunity

The Group provides equal opportunities for employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic, background, religion, colour, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law.

Award and Penalty System

The Group employs an "Award and Penalty System" in which employees with good presentation, responsibility, discipline and employees that act as role models are recognized and rewarded by cash bonus, paid leave, training or promotion opportunities; while disciplinary action and cash penalty would be taken if an employee has committed an act of serious misconduct or deceitful behaviours.

Turnover

The turnover rate was 4% in the reporting period. The Group commits to ensuring a safe and healthy working environment for employees and to inspire and strengthens workforce regardless of their age, gender and ethnical backgrounds. It will continue to provide a well-structured and caring environment to employees to raise their sense of belonging and work efficiency in the Group.

(ii) *Employee Health and Safety*

The Group puts safety at highest priority and adopts a preventive approach to occupational hazards. It implements safety management procedures, strengthens safety accountability system and constantly improves its safety management.

Employees are constantly being reminded of the health and safety knowledge and emergency incident procedures through notice boards, occupational health and safety regulations, occupational hazards results and the hazard warning labels at conspicuous locations.

Safety trainings and personal protective equipment are provided to employees with respect to national regulations. The Safety and Environmental Committee ("the Committee") has been assigned to provide annual occupational body health checks to employees and to monitor employees' health conditions. Apart from the regular annual inspection, the Committee also performed monthly and quarterly safety inspections during the reporting period, in which most hazards identified during inspections had been rectified.

Occupational Health and Safety Data in 2017

Work related fatality	**0**
Lost days due to work injury	**70**

During the reporting period, 9 minor injuries were recorded. Baoshan Feilong has improved its safety performances through:

- Strengthening accountability of safety performance with appropriate responsibilities guidelines provided to department heads;
- Ensuring safety of transport system through inspections and rectifications;
- Enhancing safety (including first-aid) education to employees; and
- Implementing flood control measures to protect lives and properties when flood occurs.

No material non-compliance in relation to health and safety laws and regulations was recorded during reporting period.

Safety Awareness Promotion

To raise safety awareness among employees, a series of activities were held during the Safe Production Month. Activities including promotion through WeChat and slogan promotions, safety trainings, safety knowledge competition and educational film watching had gained positive support from employees. In particular, more than 160 employees participated in the safety knowledge competition and winners had received attractive prizes as rewards.

The Committee had also run focus groups with employees during the reporting period, to discuss notable production accidents occurred in the PRC in order to learn from case studies and evaluate on existing preventative measures.

(iii) Development and Training

Newly recruited employees are required to be trained before performing their duties. Induction trainings are compulsory, providing training on safety knowledge, technological knowledge and work-related skills. They are followed by practical trainings in which they learn and work simultaneously after the induction training. In addition to the above trainings, the Group regularly provides various compulsory trainings to employees. Employees performing specialized work such as electricians and blasting technicians are required to attend corresponding trainings and obtain operation qualification certificates.

A total of 1,398 accumulated number of employees participated in the monthly safety trainings during the reporting period; the average training hour was 24 hours per employee.

(iv) Labour Standard

In pursuance of the Labour Law of the PRC, there was no child nor forced labour in the Group's operation. Recruitment process strictly abides by the recruitment procedures in the human resources management policy. The Human Resources Department ensures accuracy of provided information by checking employee candidates' identity card, educational certificates and employee registration form. The industry union and the Group's labour mediation committee are also involved in preventing forced labour.

2. Operating Practices

(i) Supply Chain Management

The Group has a systematic procedure for procurement. The user department first reports required items and the associated specifications to the Department of Inventory, the procurement document is then transferred to the Financial Director, the General Manager and the Procurement Department for approval. The procurement only proceeds when all the above parties have given approval. The Procurement Department sources the required items by tendering, with at least three quotations obtained. If procured item is found to be faulty, the Department of Inventory will contact the corresponding supplier for an exchange and will strictly scrutinize the exchanged item in accordance with the specifications and quality.

(ii) Product Responsibility

Confidentiality

Confidential information includes all confidential information or trade secrets of the Group. All employees acknowledge and warrant not to disclose the above information by signing the employment contract. Employees violating the confidentiality-related regulations can be dismissed. There were no substantiated complaints received concerning leaks of confidential information in the reporting period.

Complaints Handling

The Group holds a high standard to the quality of its products and services. It received no complaints during the reporting period.

(iii) Anti-corruption

There was no policy for anti-corruption issued by the Group, but it commits to managing all business without undue influence and has regarded honesty, integrity, and fairness as its core values. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the reporting period.

3. Community Investment

Community advancement and ecological protection are two major focuses of the Group's community investment. During the reporting year, Baoshan Feilong has planted more than 600 trees and grew 200 kg of grass cover near the mining area.

EXECUTIVE DIRECTORS

Mr. Mao Naihe, aged 55, was appointed as an executive director of the Company and vice chairman of the Board in August 2015. He is also the vice chairman and vice general manager of Yue Da Group (H.K.) Co., Limited ("Yue Da HK"), a substantial shareholder of the Company interested in approximately 69.07% of the issued share capital of the Company. Mr. Mao graduated from Nanjing Normal University with major in Biology and obtained his postgraduate degree in Agricultural Applied Economics from University of Bonn, Germany. He was a part-time professor/supervisor for doctoral students at Hehai University, China, an associate research fellow at the Biotechnology Research Centre of the Fujian Academy of Agricultural Sciences, the manager of the investment information department and strategy department of Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da") (a substantial shareholder of the Company interested in 100% interests in Yue Da HK and deemed interest in 69.07% of the issued share capital of the Company) and the general economist of Shanghai Yueda New Industrial Group Company Limited. He has over 25 years of experience in the areas of biotechnology application, technical economics and industrial investment.

Mr. Hu Huaimin, aged 44, joined the Group in January 2007 and was appointed as an executive Director in August 2011. He is also the chief executive of the Company. His major job responsibilities include the overall business operations of the Group focusing on strategic planning and business development. Mr. Hu graduated from the Law School of Nanjing University and is qualified as a Chinese lawyer and an economist. He has over 20 years of experience in the PRC legal practice, corporate legal affairs, investment project operation and management. Mr. Hu is a director of each of twelve subsidiaries of the Group.

Mr. Bai Zhaoxiang, aged 55, joined the Group in August 2008 and was appointed as an executive Director in October 2014. Mr. Bai is a college graduate majoring in industrial accounting and a senior accountant in the PRC. Mr. Bai has over 30 years' of experience in accounting. Prior to his joining of the Company, Mr. Bai worked as a financial controller of a foreign invested enterprise in the PRC for about 13 years. Mr. Bai is a director of each of eleven subsidiaries of the Group.

NON-EXECUTIVE DIRECTORS

Mr. Wang Lianchun, aged 47, joined the Group as a non-executive director and the chairman of the Board of the Company in January 2015. Mr. Wang is also the chairman, the executive director of Jiangsu Yueda Investment Co. Ltd（江蘇悅達投資股份有限公司）(Stock Code: SHA600805), a company listed on the Shanghai Stock Exchange. Mr. Wang obtained a graduate diploma from Jiangsu Provincial I 江蘇省委黨校）. He started working in August 1988. He was the deputy party secretary of Yifeng town, suburb of Yancheng city; the deputy party secretary, mayor and party secretary of Louwang town, Yandu county; a member of the Standing Committee of the City Committee; the head of the Publicity Department and executive vice mayor of Dafeng city; the deputy secretary, acting chief and chief of Funing county; the deputy secretary general of the Yancheng municipal government; the director of the Management Committee and the deputy secretary of the Working Committee of Yancheng Economic and Development Zone; the director of the Management Committee and the deputy secretary of the Working Committee of Yancheng Economic, Technology and Development Zone; and the secretary of the Working Committee of the Party of Yancheng Integrated Free Trade Zone. He has been a member of the sixth City Committee of Yancheng and the deputy to the 12th People's Congress of Jiangsu province.

Mr. Qi Guangya, aged 49, joined the Group as a non-executive Director since January 2007. Mr. Qi is an independent director of Jiangsu Yue Da Investment Co. Ltd.（江蘇悅達投資股份有限公司）(Stock code: SHA600805), a company listed on the Shanghai Stock Exchange. Mr. Qi is a senior accountant and a certified public accountant in the PRC and a senior international finance manager certified by International Finance Management Association（國際財務管理協會）. He graduated from Jiangsu Provincial Party Committee School（江蘇省委黨校）with a postgraduate degree. In 1991, Mr. Qi joined a subsidiary of Jiangsu Yue Da. He has over 20 years experience in financial management. He was a director, chief accountant and deputy general manager of Jiangsu Yue Da and he is currently the Vice Chairman and general manager of Jiangsu Yue Da.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cui Shuming, aged 80, has been appointed as an independent non-executive director of the Company since January 2007. He is a senior economist in the PRC and graduated from the People's University of China. He has over 40 years' experience in international finance and corporate planning and management. Mr. Cui was deputy head of the Bank of China, Jiangsu Branch, and managing director of the National Commercial Bank Ltd.（浙江興業銀行）and the general manager of its Hong Kong branch. Mr. Cui was a director and deputy chief executive officer of Ka Wah Bank Limited and is currently, an independent non-executive director of Burwill Holdings Limited (Stock code: 0024) and China LotSynergy Holdings Limited (Stock code: 1371), the shares of which are listed on the Main Board of the Stock Exchange.

Dr. Liu Yongping, aged 62, has been appointed as an independent non-executive director of the Company since June 2010. He is a consultant of a firm of solicitors in Hong Kong. Dr. Liu graduated from Renmin University of China（中國人民大學）in 1983 with a bachelor degree in law, and graduated from the University of London in 1987 with a master degree in law. In 1994, Dr. Liu graduated from the University of Oxford with a doctor of philosophy. Previously, Dr. Liu worked for the People's Government of Beijing. At present, Dr. Liu is a practicing solicitor in Hong Kong. Dr. Liu has profound knowledge in the laws of the PRC, Hong Kong and England. Since 1994, Dr. Liu has embarked in areas on listing application for PRC based companies in Hong Kong and work on merger and acquisition. Dr. Liu is acquainted with matters concerning the Listing Rules. Dr. Liu is an independent non-executive Director of Wanjia Group Holdings Limited (Stock code: 0401). He was also an independent non-executive Director of China Forestry Holdings Co., Limited (Stock code: 0930) and he resigned on 24th June, 2015, the shares of which was listed on the Main Board of the Stock Exchange.

Mr. Cheung Ting Kee, aged 48, has been appointed as an independent non-executive director of the Company since July 2015. He has over 22 years of working experience in the securities industry including equity research, equity sales, fund management and corporate finance. Mr. Cheung is currently the sole director and a responsible officer of a Hong Kong company being a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance ("SFO"). Mr. Cheung obtained a Bachelor of Business Administration degree and a Master in Professional Accounting. He is a fellow member of the Institute of Certified Management Accountants, Australia. Mr. Cheung is currently an independent non-executive director of Deson Construction International Holdings Limited (Stock code: 8268), a company listed on the Growth Enterprise Market of the Stock Exchange.

The Board of Directors presents the annual report and the audited consolidated financial statements of the Company for the year ended 31st December, 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in exploration, mining and processing of metal minerals in the PRC. The analysis of segment information of the Group during the Year is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52 of this annual report.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2017.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past financial years is set out on page 124 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the Year, the Group spent approximately RMB6,950,000 on property, plant and equipment.

Details of the above and other movements in the property, plant and equipment of the Group during the Year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital as at 31st December, 2017 are set out in Note 26 to the consolidated financial statements.

During the Year, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the shares in the Company.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2017, which represent the share premium, contributed surplus and accumulated losses, were RMB207,754,000.

BUSINESS REVIEW

Business review of the Company and a discussion and analysis of the Group's performance using financial key performance indicators during the Year and the material factors underlying its results and financial position are set out in the Chairman's Statement and Management Discussion and Analysis on pages 3 to 12 of the Annual Report.

PRINCIPAL RISK AND UNCERTAINTIES

1. Policy risks

Given metal commodities have always been the top priority in the PRC's national planning and is markedly affected by national policy, with the reinforcement of ecological civilization construction, the constraints regarding resources and environment will increase, and the regulations of environmental protection and ecological issues will gradually increase, thus the requirements regarding barriers to entry to nonferrous mining, energy conservation and environmental protection, production safety and others will be more stringent.

To cope with the above risk, the Company will keep track of the national regulatory policy for nonferrous metal industry and the policy change in mineral resources management in a timely manner, continue to enhance corporate management standards, accelerate industrial upgrading and enhance the research and innovation development as well as energy conservation and environmental protection, so as to achieve or exceed comprehensively the policy requirements in terms of safety production and energy conservation and environmental protection.

2. Risks of macro-economy

The global economy is still recovering as the demand in main economic entity shrinks and prices of bulk commodities decrease sharply. Some deeply rooted issues and problems of PRC economy appear constantly; downturn trends of investment and industry are growing; market demands are sluggish generally; and thus causing the economic downturn to apply consistently high pressure. The mining industry will face multiple pressures including "production restriction", "credit restriction" and so on with limited energy consumption in total, enhanced requirements for environmental protection, and intensified market competitiveness.

To cope with the intensifying industrial competition, the Company will continue to strengthen cost management, while at the same time, expand markets through multiple channels by improving the nonferrous metal commodities quality, enhance customer service standards, adjust product portfolio and marketing structure and improve its market competitiveness continuously.

3. Risks of safety production

Although the Group maintains a high standard in safety production, the nonferrous metal mining is still a hazardous industry and faces uncertainties caused by production environment, natural disaster and so on. Safety production is the top priority of the Company to achieve sustainable and stable development.

The Group will reinforce the safety advancing pre-control measures, deepen the implementation of technical evaluation on safety production, strengthen the responsibility to check, govern, prevent and control the potential safety hazard at different levels; intensify the implementation of pre-warning controlling system, highlight the dynamic monitoring and tracking treatment for key parts of mining system, increase the supervision on the weak areas; accelerate safety assessment, promote the reversed investigation mechanism for hidden danger accountability, focus on source checking and radical treatment, firmly prevent all kinds of accidents to achieve zero incident occurrence in safety production.

4. Effects of changes in exchange rates

The effects of changes in exchange rates on the Group mainly include:

(1) part of the other receivables of the Group which are denominated in US$; and

(2) corporate bond which are denominated in HK$.

To cope with the above risk, the Company will closely monitor the fluctuation in exchange rates.

5. Credit risk

Credit risk is the primary risk that we face in our business factoring businesses. Credit risk arises from the inability or unwillingness of our customers, or the underlying debtors to make timely payments to us and/or to perform their contractual obligations. Our credit risk management measures were implemented to control credit risk.

6. Liquidity risk

Liquidity risk refers to the risk of us not having sufficient funds to meet our liabilities as they fall due. This may arise from mismatch in amount or duration in respect of the maturity of our financial assets and liabilities. The duration of most of our factoring transactions are less than a year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As an environmentally responsible company, the Group is committed to continuously cling to environmental protection and observe the concept of a sustainable development. Being part of a leading state-owned enterprise in China, the Group attaches great importance to corporate integrity and production safety while emphasizing social responsibility.

More information of the Group's environmental performance is set out in the section headed "Environmental, Social and Governance Report" on pages 24 to 31.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group believes that employees are important assets and provides competitive remuneration packages to attract and retain employees. The management regularly reviews the Group's remuneration to its employees is up to prevailing market standard.

The Group values mutually beneficial long standing relationships with its suppliers and customers. The Group entered into two strategic co-operation agreement with major customers as stated in the Chairman's Statement. The Group aims at delivering high quality products to its customers and developing on mutual trust among its suppliers.

DIRECTORS

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

Non-executive Directors:

Mr. Wang Lianchun *(Chairman of the Board)*
Mr. Qi Guangya

Executive Directors:

Mr. Mao Naihe *(Vice Chairman of the Board)*
Mr. Hu Huaimin *(Chief Executive)*
Mr. Bai Zhaoxiang

Independent non-executive Directors:

Mr. Cui Shuming
Dr. Liu Yongping
Mr. Cheung Ting Kee

In accordance with article 108(A) of the Company's articles of association, Mr. Wang Lianchun, Mr. Hu Huaimin and Mr. Cui Shuming will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, no Directors or their associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' REMUNERATION

The basis of determining the remuneration payable to the Directors is set out in the Corporate Governance Report on page 20 of the annual report. Details of Directors' remuneration are set out in Note 8 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

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

The term of office of each of the non-executive Directors and the independent non-executive Directors is the period up to his retirement by rotation as required by the Company's articles of association.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 32 to 34 of the annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Options" in page 41 of the annual report, no equity-linked agreements were entered into by the Group, or existed during the Year.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OR ANY ASSOCIATED CORPORATION OF THE COMPANY

As at 31st December, 2017, the interests of each Director and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of the Company/ associated corporation	Capacity	Number of ordinary shares *(Note i)*	Approximate percentage of issued share capital of the Company *(Note ii)*	Number of options granted and underlying shares
Hu Huaimin	The Company	Beneficial Owner	3,901,536 (L)	0.33%	434,394 *(Note iii)*
	The Company	Beneficial Owner	–	–	744,676 *(Note iv)*
Bai Zhaoxiang	The Company	Beneficial Owner	2,213,281 (L)	0.19%	780,661 *(Note iii)*
Qi Guangya	The Company	Beneficial Owner	2,018,116 (L)	0.17%	744,676 *(Note iv)*

Notes:

i. The letter "L" represents the Director's long position in the ordinary shares of the Company.

ii. The percentage of issued share capital of the Company is calculated by reference to 1,168,626,516 shares in issue as at 31st December, 2017.

iii. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the Directors on 27th May, 2009 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$0.854 per share during the period from 28th May, 2009 to 26th May, 2019.

iv. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the Directors on 9th July, 2009 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$0.854 per share during the period from 9th July, 2009 to 24th May, 2018.

Other than as disclosed above and in this annual report, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations as at 31st December, 2017.

SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 9th June, 2011 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. Under the Scheme, the Directors may, at their discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares in the Company:

(i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity in which the Group holds an equity interest ("Invested Entity"), including any executive Director of the Company, any of such subsidiaries or any Invested Entity;

(ii) any non-executive Directors (including independent non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(viii) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group and, for the purposes of the Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For the avoidance of doubt, the grant of any options by the Company for the subscription of shares in the Company or other securities of the Group to any person who fall within any of the above classes of participants shall not, solely by itself, unless the directors otherwise determine, be construed as a grant of option under the Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the directors from time to time.

The maximum number of shares which may be allocated and issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company in issue from time to time. Unless with prior approval from the Company's shareholders, the total number of shares in respect of which options might be granted at the same time under the Scheme and any other share option scheme of the Group was not permitted to exceed 10% of the shares of the Company in issue at the date of adoption of the Scheme (i.e. on 9th June, 2011, the 10% limit being 68,665,195 shares of the Company).

Without prior approval from the Company's shareholders, the number of shares in respect of which options may be granted to any participant in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time. Options granted to directors, chief executives or substantial shareholders of the Company or any of their respective associates must be approved by independent non-executive Directors of the Company (excluding any independent non-executive Director who is the grantee of the options). Options granted to substantial shareholders or independent non-executive Directors or any of their respective associates in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The subscription price for shares under the Scheme shall be a price determined by the directors, but shall not be less than the higher of (i) the closing price of shares as stated in the Stock Exchange's daily quotations on the date of the offer for grant; (ii) the average closing price of shares as stated in the daily quotations of the Stock Exchange for the five business days immediately preceding the date of the offer for grant; and (iii) the nominal value of the shares.

Further particulars and details of movements of the Scheme are set out in Note 31 to the consolidated financial statements. There were no share options exercised during the Year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's Scheme disclosed above, at no time during the Year was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries, a party to any arrangement 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. Further, save for the Scheme, the Group had not issued or granted any convertible securities, options, warrants or other similar rights during the year. As at 31st December, 2017, the Group had no redeemable securities.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

The following are the continuing connected transactions that took place during the year ended 31st December, 2017 and which were not exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

Tenancy agreements ("Tenancy Agreements") with Yue Da HK and Yue Da Enterprise (Group) H.K. Co. Ltd. ("Yue Da Enterprise")

On 16th December, 2015, the Company (as tenant) entered into a tenancy agreement (the "HK Office Tenancy Agreement") with Yue Da HK (as landlord) for renting the Company's office in Hong Kong for a term of three years from 1st January, 2016 to 31st December, 2018. The rental payable to Yue Da HK is HK$260,000 per month (excluding rates, management fees and utility charges). Yue Da HK is a controlling shareholder of the Company and accordingly is a connected party. Further, the Company has, on the same date, also entered into two tenancy agreements with Yue Da Enterprise for staff quarter purpose, each for a term of three years from 1st January, 2016 to 31st December, 2018 and at a monthly rental of HK$15,000 and HK$20,000, respectively. On 19th May 2017, the Company entered into another tenancy agreement with Yue Da Enterprise for staff quarter purpose for a term of nineteen months from 1st June 2017 to 31st December 2018 at a monthly rental of HK$18,000, together with the HK Office Tenancy Agreement, collectively as the "Tenancy Agreements". Yue Da Enterprise is a fellow subsidiary of the Company and deemed to be a connected party. During the Year ended 31st December, 2017, the total rentals paid and payable by the Company to Yue Da HK and Yue Da Enterprise are HK$3,120,000 (equivalent to RMB2,711,000) and HK$546,000 (equivalent to RMB473,000), respectively. These transactions constituted continuing connected transactions of the Company and are subject to announcement and reporting requirements under Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 16th December, 2015.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed-upon procedures in respect of the continuing connected transactions of the Group. The Company's auditor has reported the factual findings on these procedures to the Board. The Company also engaged a professional internal control consultant to review continuing connected transactions and the relevant internal control procedures. The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions were entered into by the Group in the ordinary course of its business; on normal commercial terms, or on terms no less favourable than terms available to or from (as the case may be) independent third parties, and in accordance with the terms of the agreements governing such transactions that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Details of the above continuing connected transactions and other discloseable connected transactions are set out in Note 38 to the consolidated financial statements.

CONTROLLING AND SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST

The register of controlling and substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that as at 31st December, 2017, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	Name of the company/ associated corporation	Capacity	Number of issued ordinary shares held *(Note i)*	Percentage of the issued share capital of the Company *(Note ii)*
Yue Da HK	The Company	Beneficial owner	807,174,333 (L)	69.07%
Jiangsu Yue Da *(Note iii)*	The Company	Interest of a controlled corporation	807,174,333 (L)	69.07%

Notes:

(i) The letter "L" represents the entity's long positions in the shares.

(ii) The percentage of issued share capital of the Company is calculated by reference to 1,168,626,516 shares in issue as at 31st December, 2017.

(iii) Jiangsu Yue Da holds 100% interests in Yue Da HK and is accordingly deemed to be interested in the shares of the Company beneficially owned by Yue Da HK under the SFO.

Other than as disclosed above, the Company has not been notified of any other persons who as at 31st December, 2017, had interests of 5% or more in any shares or underlying shares of the Company.

OTHER DIRECTORS' INTEREST

As at the date of this report, the following Directors were also a director or an employee of the following companies, each of which had or was deemed to have an interest or short position in the shares or underlying shares in respect of equity derivatives of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of substantial shareholder of the Company	Position in substantial shareholder of the Company
Mr. Wang Lianchun	Jiangsu Yue Da	Chairman of the Board
Mr. Qi Guangya	Jiangsu Yue Da	Vice Chairman of the Board and General Manager
Mr. Mao Naihe	Yue Da HK	Vice Chairman of the Board

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers during the year accounted for approximately 83.6% of the Group's total revenue and the largest customer accounted for approximately 51.4% of the Group's total revenue. The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 75.9% of the Group's total purchases and the largest suppliers accounted for approximately 51.8% of the Group's total purchases.

The Directors, their associates and substantial shareholders of the Company did not have any interest in the suppliers or customers as disclosed above as at 31st December, 2017.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' merit, qualifications and competence.

The Company has adopted a share option scheme (the "Scheme") as an incentive for directors and eligible employees. Details of the Scheme are set out in the section headed "Share Options" in this annual report.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2017.

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

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the listed securities of the Company during the Year.

AUDITOR

The financial statements of the Company for the year ended 31st December, 2017 were audited by Messrs. Deloitte Touche Tohmatsu. 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

Wang Lianchun
CHAIRMAN

Hong Kong
20th March, 2018

Deloitte. 德勤

TO THE SHAREHOLDERS OF YUE DA MINING HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Yue Da Mining Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 52 to 123, which comprise the consolidated statement of financial position as at 31st 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 31st 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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") 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.

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 assessment of property, plant and equipment, mining rights and goodwill	
We identified the impairment assessment of property, plant and equipment, mining rights and goodwill allocated to a cash-generating unit which is engaged in the mining and processing of gold and stone for construction from gold mine in the People's Republic of China as a key audit matter due to the significant management judgment in estimating the recoverable amount of the cash-generating unit. During the year ended 31st December, 2017, due to the implementation of various interim measures in relation to environmental protection and transportation by respective government authorities which had adversely disrupted the production plan and product delivery of this cash generating unit. This indicates the risk of impairment of the related assets with carrying amount (before impairment) of RMB307,316,000 as at 31st December, 2017. Aggregate impairment losses of RMB117,592,000, RMB17,398,000 and RMB2,119,000 for the year ended 31st December, 2017 had been recognised on mining rights, production assets and goodwill of this cash-generating unit included in the Group's mining rights, property, plant and equipment and goodwill respectively as at 31st December, 2017 as the recoverable amount, which is determined using a value in use calculation based on discounted cash flow model, is lower than the carrying amount. Management of the Group relied on a valuation carried out by an independent professional valuer (the "Valuer"), which is dependent on certain key assumptions. Details of impairment assessment and key assumptions are disclosed in Notes 4 and 17 to the consolidated financial statements.	Our procedures in relation to the impairment assessment of property, plant and equipment, mining rights and goodwill included: • Obtaining an understanding of the process of impairment assessment of property, plant and equipment, mining rights and goodwill by management; • Understanding the impairment assessment model used and the key assumptions and evaluating the scope of work and terms of the agreement with the Valuer; • Assessing the competence, capabilities and objectivity of the Valuer; • Evaluating the appropriateness of the model and comparing key assumptions used against external data; • Engaging our internal valuation expert to assess the appropriateness of the discount rate used; • Evaluating management's future cash flow forecasts, and the process by which they were drawn up, including verifying the relevant mining right and agreeing future capital and operating expenditure to the latest approved budgets and the latest approved mining plan; and • Assessing the accuracy of management's future cash flows forecasts by comparing historical forecast with actual performance.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of deposits paid for investments and loan receivable	
We identified the impairment assessment of deposits paid for investments and loan receivable as a key audit matter due to the significance of the amounts to the consolidated financial statements and the significance of management's judgment involved in the assessment of recoverability. As detailed in Notes 4 and 21 to the consolidated financial statements, management assessed the recoverable amounts by estimating the timing and amount of future cash inflows from the relevant receivables taking into consideration of the financial position of the debtors, value of the assets pledged to the Group as collateral and settlement arrangements entered into with the debtors. As at 31st December, 2017, the carrying amounts of deposits paid for investments and loan receivable are RMB39,725,000 and RMB34,352,000 respectively, net of impairment loss of RMB3,371,000 and RMB5,340,000 respectively, as at 31st December, 2017.	Our procedures in relation to the impairment assessment of deposits paid for investments and loan receivable included: • Obtaining an understanding of the assessment of the recoverability of deposits paid for investments and loan receivable including the basis of estimating the future cash flows and the assumptions made by management; and • Assessing the appropriateness of recoverable amounts in respect of deposits paid for investments and loan receivable by challenging management's assessment on the financial position of the debtors and value of collateral against relevant supporting documents and independent data.

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 HKSAs 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.

As part of an audit in accordance with HKSAs, 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.

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
20th March, 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue	5	**79,477**	84,370
Cost relating to inventories sold		**(39,675)**	(69,026)
Cost relating to services rendered		**(2,264)**	–
Other income		**7,879**	2,853
Other gains (losses), net	6	**58,840**	(8,715)
Impairment losses on assets	7	**(137,109)**	–
Administrative expenses		**(47,630)**	(51,942)
Finance costs	9	**(12,391)**	(12,700)
Loss before tax		**(92,873)**	(55,160)
Income tax credit	10	**33,940**	13,312
Loss and total comprehensive expense for the year	11	**(58,933)**	(41,848)
Loss and total comprehensive expense for the year attributable to			
Owners of the Company		**(25,736)**	(41,424)
Non-controlling interests		**(33,197)**	(424)
		(58,933)	(41,848)
Loss per share	12		
– Basic		**RMB(2.20) cents**	RMB(4.50) cents
– Diluted		**RMB(2.20) cents**	RMB(4.50) cents

Consolidated Statement of Financial Position

At 31st December, 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current Assets			
Property, plant and equipment	14	**56,016**	75,503
Prepaid lease payments	15	**5,787**	8,754
Mining rights	16	**365,102**	485,134
Goodwill	18	**–**	2,119
Long term deposits	19	**16,600**	12,422
Other receivables	21	**18,807**	49,727
		462,312	633,659
Current Assets			
Prepaid lease payments	15	**221**	371
Inventories	20	**14,925**	23,592
Trade and other receivables	21	**171,568**	55,173
Amounts due from related companies	22	**200**	2,031
Taxation receivable		**–**	224
Cash and cash equivalents	23	**506,240**	108,476
		693,154	189,867
Current Liabilities			
Trade and other payables	24	**50,760**	57,269
Amounts due to related companies	22	**460,252**	48,281
Amounts due to directors	25	**320**	317
Taxation payable		**6,118**	4,409
		517,450	110,276
Net Current Assets		**175,704**	79,591
Total Assets Less Current Liabilities		**638,016**	713,250

At 31st December, 2017

	NOTES	2017 RMB'000	2016 RMB'000
Capital and Reserves			
Share capital	26	**105,965**	105,965
Reserves		**279,288**	305,024
Equity attributable to owners of the Company		**385,253**	410,989
Non-controlling interests		**28,870**	62,067
Total equity		**414,123**	473,056
Non-current Liabilities			
Corporate bonds	27	**138,003**	145,024
Provisions	28	**2,324**	2,307
Deferred tax liabilities	29	**83,566**	92,863
		223,893	240,194
		638,016	713,250

The consolidated financial statements on pages 52 to 123 were approved and authorised for issue by the board of directors on 20th March, 2018 and are signed on its behalf by:

Mao Naihe
DIRECTOR

Hu Huaimin
DIRECTOR

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Non-distributable reserves RMB'000 *(Note i)*	Special reserve RMB'000 *(Note ii)*	Capital contribution RMB'000 *(Note iii)*	Share options reserve RMB'000	Other reserve RMB'000 *(Note iv)*	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1st January, 2016	83,706	904,870	38,574	157,178	21,717	14,588	(40,938)	(812,247)	367,448	62,491	429,939
Loss and total comprehensive expense for the year	–	–	–	–	–	–	–	(41,424)	(41,424)	(424)	(41,848)
Issue of shares	22,259	62,706	–	–	–	–	–	–	84,965	–	84,965
At 31st December, 2016	105,965	967,576	38,574	157,178	21,717	14,588	(40,938)	(853,671)	410,989	62,067	473,056
Loss and total comprehensive expense for the year	–	–	–	–	–	–	–	(25,736)	(25,736)	(33,197)	(58,933)
Expiry of share options	–	–	–	–	–	(2,843)	–	2,843	–	–	–
Transfer	–	–	313	–	–	–	–	(313)	–	–	–
Transfer upon disposal of subsidiaries	–	–	(8,875)	–	–	–	–	8,875	–	–	–
At 31st December, 2017	105,965	967,576	30,012	157,178	21,717	11,745	(40,938)	(868,002)	385,253	28,870	414,123

Notes:

(i) The non-distributable reserves represent statutory reserves appropriated from the profit after tax of the Company's subsidiaries established in the People's Republic of China (the "PRC") under the PRC laws and regulations and capital deficit arising from capital injections by the Group into the Company's subsidiaries in the PRC in the form of foreign currencies.

(ii) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 2001 and the surplus arising on the capitalisation of an amount payable to a fellow subsidiary as part of the group reorganisation.

(iii) The capital contribution represents deemed contribution from (distribution to) the ultimate parent and a shareholder arising from:

(a) compensation in relation to the termination of the acquisition of Balin Zuo Qi Hong Ling Lead and Zinc Mine ("Hong Ling") paid on behalf of the Group without any consideration by Yue Da Enterprise (Group) HK Co. Ltd. ("Yue Da Enterprise"), which is a fellow subsidiary of the Company and a related party as it is a subsidiary of Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"). In 2008, a settlement deed was entered with the vendor of Hong Ling and the Group agreed to pay compensation of RMB7,827,000 for termination of the acquisition. The entire amount was subsequently paid by Yue Da Enterprise for the Group without any consideration, and was recognised as a deemed capital contribution from the ultimate parent;

Notes: – Continued

(iii) – Continued

(b) non-current interest-free loan granted and extension of its repayment date by Yue Da Enterprise, and their early repayment. In prior periods, the difference between the nominal value and the fair value on inception date and the difference between the carrying value and the fair value on extension date of the non-current interest-free loan were recognised as deemed contribution by the ultimate parent, and the difference between the carrying value and nominal value on the date of early repayment of the non-current interest-free loan was recognised as deemed distribution to the ultimate parent;

(c) promissory notes issued and extension of their repayment dates by an affiliate of Mr. Yang Long. Mr. Yang Long had significant influence over the mining subsidiaries of the Company and therefore he and his affiliates were related parties. This relationship ceased from 1st October, 2010 onwards. Mr. Yang Long was and continues to be a shareholder of the Company. In prior periods, the difference of the nominal value and the fair value on inception date and the differences between the carrying value and the fair value on extension dates of the promissory notes were recognised as a deemed contribution by a shareholder, and the difference between the carrying value and nominal value on the date of early repayment of the promissory notes was recognised as deemed distribution to a shareholder. During the year ended 31st December, 2011, the Group early repaid a portion of the promissory notes with a nominal value of RMB16,674,000. A difference of RMB1,644,000 between the carrying value and the nominal value of this repaid portion of promissory notes at the date of early repayment has been recognised as a deemed distribution to a shareholder.

(iv) The other reserve represents the difference between the fair value and the book value of the mining rights attributable to additional interests acquired in 2007 and the respective differences between amount of non-controlling interests acquired and the fair value of consideration paid during the years ended 31st December, 2011 and 2014.

For the year ended 31st December, 2017

	Note	**2017 RMB'000**	2016 RMB'000
OPERATING ACTIVITIES			
Loss before tax		**(92,873)**	(55,160)
Adjustments for:			
Amortisation of mining rights		**3,880**	6,746
Allowance for inventories		**–**	295
Finance costs		**12,391**	12,700
Depreciation of property, plant and equipment		**6,343**	4,831
Release of prepaid lease payments		**369**	371
Impairment losses on assets	7	**137,109**	–
(Gain) loss on disposal of property, plant and equipment		**(2,506)**	406
Gains arising from subsidiaries disposed		**(51,541)**	–
Impairment losses on other receivables		**1,350**	7,361
Interest income from bank deposits		**(299)**	(77)
Imputed interest income on impaired other receivables		**(4,739)**	–
Net foreign exchange gains		**(4,561)**	–
Operating cash flows before movements in working capital		**4,923**	(22,527)
Increase in long term deposits		**(5,115)**	(5,070)
Decrease in inventories		**3,506**	11,188
Increase in trade and other receivables		**(51,888)**	(3,051)
Increase in trade and other payables		**3,588**	8,034
Increase in amounts due to directors		**3**	3
CASH USED IN OPERATIONS		**(44,983)**	(11,423)
Income tax paid		**(1,400)**	–
NET CASH USED IN OPERATING ACTIVITIES		**(46,383)**	(11,423)

For the year ended 31st December, 2017

	NOTES	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(6,950)**	(3,414)
Addition of mining rights		**(9,630)**	–
Disposals of subsidiaries	30	**42,440**	–
Repayment from related companies		**2,516**	3,647
Advance to related companies		**(685)**	(5,549)
Repayment of loan receivable	21(ii)	**1,982**	–
Interest received		**299**	77
Proceeds from disposal of property, plant and equipment		**3,629**	399
Deposits refunded for investments	21(i)	**4,991**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**38,592**	(4,840)
FINANCING ACTIVITIES			
Repayment of bank borrowings		**–**	(20,000)
Repayment to related companies		**(43,849)**	(3,121)
Advance from related companies		**459,200**	29,261
Interest paid		**(9,796)**	(1,034)
Proceeds from issue of shares		**–**	84,965
NET CASH FROM FINANCING ACTIVITIES		**405,555**	90,071
NET INCREASE IN CASH AND CASH EQUIVALENTS		**397,764**	73,808
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**108,476**	34,668
CASH AND CASH EQUIVALENTS AT END OF YEAR		**506,240**	108,476

1. GENERAL

The Company is incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors of the Company, the Company's parent is Yue Da Group (H.K.) Co., Limited ("Yue Da HK"), a company incorporated in Hong Kong with limited liability, and the Company's ultimate parent is Jiangsu Yue Da, a state-owned enterprise established with limited liability in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are Mining Operations (as defined in Note 5) and Factoring Related Business (as defined in Note 5).

As all of the Group's operations are in the PRC, the consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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 performance and financial 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 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 34. 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 34, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC)-Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014-2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle[2]

1 Effective for annual periods beginning on or after 1st January, 2018.
2 Effective for annual periods beginning on or after 1st January, 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1st January, 2021.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets 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. 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 the 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.

Based on the Group's financial instruments and risk management policies as at 31st December, 2017, the directors of the Company anticipate the following potential impact on initial 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 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 1st January, 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables, amounts due from related companies and deposits with financial institutions and finance company. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses and increase in deferred tax at 1st January, 2018.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – 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 anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods on Mining Operations but may impact the timing of recognising revenue relating to Factoring Related Business as the Group expands its Factoring Related Business in the future.

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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

HKFRS 16 Leases – Continued

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 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 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 31st December, 2017, the Group has non-cancellable operating lease commitments of RMB3,979,000 as disclosed in Note 36. 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

HKFRS 16 Leases – Continued

In addition, the Group currently considers refundable rental deposits paid of RMB717,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments and include in the initial measurement of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The directors of the Company do not anticipate that the application of other new and amendments to HKFRSs and interpretations will have a material effect on the amounts recognised in the Group's consolidated financial statements in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis 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".

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of consolidation – Continued

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relevant interests in the subsidiaries, including re-attribution of relevant reserves between the Group and non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Business combinations – Continued

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively.

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

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

Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purpose, other than construction in progress, 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 or 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 assets, other than construction in progress, 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment – Continued

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

Mining rights

Mining rights are stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Mining rights are amortised using the units of production method based on the proven and probable mineral reserves.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the CGU within group of CGUs in which the Group monitors goodwill).

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the 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.

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 long term deposits, trade and other receivables, amounts due from related companies and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets

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

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

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

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

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

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 entered into 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 Group 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

The Group's financial liabilities (including trade and other payables, amounts due to related companies/directors and corporate bonds) 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, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Derecognition – Continued

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised is recognised in profit or loss.

The Group derecognises financial liabilities 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.

Provisions

The Group is required to make payments for restoration and rehabilitation of certain land after the underground sites have been mined. Provision for restoration, rehabilitation and environmental cost is recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provision is measured in accordance with the relevant rules and regulations applicable in the PRC at the end of the reporting period, and using the cash flows estimated to settle the present obligation. Its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the 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 CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) – Continued

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) 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 a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs 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 immediately in profit or loss.

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

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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 sale of goods are recognised when the goods are delivered and titles have passed.

Factoring services income mainly consists of interest income over the period of contract. Interest income from a financial asset is accrued on a time apportionment 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue recognition – Continued

Other services income is recognised when services are rendered.

Consultancy fee income is recognised as income in accordance with the terms of the agreements when the relevant significant acts have been completed.

Retirement benefit costs

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

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Leasing

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

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leasing – Continued

Leasehold land and building – Continued

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified service condition, the fair value of services received is determined by reference to the fair value of share options granted at the grant date without taking into a consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimate of the number of options that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in the share options reserve will be transferred to share premium.

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

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services other than services from employees or other related services are measured at the fair values of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Taxation – Continued

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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.

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 estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience 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. 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Estimated impairment of property, plant and equipment, mining rights and goodwill

Determining whether an impairment loss is required requires an estimate of the recoverable amount of relevant assets or the CGU to which the asset belongs. In determining the amount of an impairment loss of property, plant and equipment, mining rights and goodwill of subsidiaries that are engaged in Mining Operations (as defined in Note 5) in the PRC where each subsidiary is considered as a CGU for the year ended 31st December, 2017, the recoverable amount is measured by reference to the value in use. In determining the value in use, the management of the Group relied on a valuation carried out by an independent professional valuer in which the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value are estimated. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2017, the carrying amounts of property, plant and equipment, mining rights and goodwill were RMB56,016,000 (2016: RMB75,503,000), RMB365,102,000 (2016: RMB485,134,000), Nil (2016: RMB2,119,000) respectively. Details of the recoverable amount calculation for the CGU are set out in Note 17. During the year ended 31st December, 2017, impairment losses of RMB17,398,000 (2016: Nil), RMB117,592,000 (2016: Nil) and RMB2,119,000 (2016: Nil) were recognised in relation to property, plant and equipment, mining rights and goodwill respectively (see Note 7).

Useful lives of mining rights

The Group's management determines the estimated useful lives for its mining rights based on the proven and probable reserves. However, the mining rights were granted for terms of two to three years (2016: one to three years). The directors of the Company are of the opinion that the Group will be able to continuously renew the mining rights and the business licenses of the respective mining subsidiaries without significant costs. Accordingly, the Group has used the proven and probable reserves as a basis of estimation for the useful lives of its mining rights.

Amortisation rates are determined based on estimated proven and probable mine reserve volume with reference to the independent technical assessment report. The estimates involve subjective judgements in developing such information and have taken into account the technical information about each mine. The capitalised cost of mining rights are amortised using the units of production method. Any change to the estimated proven and probable mine reserves will affect the amortisation charge of those mining rights. Management will reassess the useful lives whenever the ability to renew the mining rights and business licenses is changed.

As at 31st December, 2017, the carrying amount of mining rights was RMB365,102,000 (2016: RMB485,134,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Allowances for bad and doubtful debts

When there is an objective evidence that loans and receivables may be impaired, the Group estimates the future cash flows of those balances. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

In particular, the management, as at 31st December, 2017, has assessed the impairment of "deposits paid for investments" with a carrying amount of RMB39,725,000 and "loan receivable" with a carrying amount of RMB34,352,000. Based on the assessment by the management, a loss of change in repayment period of RMB1,350,000 was recognised for the "loan receivable" during the year ended 31st December, 2017 after taking into account the financial position of the relevant parties, the fair value of the collateral assets pledged by the Vendor (as defined in Note 21(i)) and Mineral Land (as defined in Note 21(ii)) and settlement arrangement by the relevant parties.

As at 31st December, 2017, the carrying amounts of trade receivables, factoring receivables, deferred consideration receivables, deposits paid for investments, loan receivable and amounts due from related companies were RMB4,618,000 (2016: RMB5,723,000), RMB57,024,000 (2016: Nil), RMB50,660,000 (2016: Nil), RMB39,725,000 (2016: RMB45,309,000), RMB34,352,000 (2016: RMB37,632,000) and RMB200,000 (2016: RMB2,031,000) respectively. No allowance for bad and doubtful debts was made for the other items as mentioned above.

5. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the aggregate of the net amounts received and receivable for the goods sold and services provided during the year and is analysed as follows:

	2017 **RMB'000**	2016 RMB'000
Sale of zinc, lead and copper ore concentrates	**64,838**	33,097
Sale of iron ore concentrates	**361**	2,074
Sale of gold and stone for construction from gold mine	**7,699**	49,199
Interest income from factoring services	**1,033**	–
Consultancy services	**4,854**	–
Other services	**692**	–
	79,477	84,370

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information

The Group's reportable and operating segments under HKFRS 8, based on information reported to the chief operating decision maker ("CODM"), represented by the executive directors, for the purposes of resource allocation and performance assessment are as follows:

- exploration, mining and processing of mainly zinc, lead, copper, iron and gold ("Mining Operations")
- provision of factoring services, accounts receivable management and collection, and factoring consultancy services ("Factoring Related Business")

During the year ended 31st December, 2017, the Group commenced the Factoring Related Business when a wholly owned subsidiary, Yueda (Shenzhen) Commercial Factoring Co., Ltd. was registered on 15 August 2017 to carry out the Factoring Related Business.

Segment result

The CODM reviewed the segment results, other income, other gains and losses as described below, central administration costs and finance costs for the purposes of resource allocation and performance assessment.

For the year ended 31st December, 2017

	Mining Operations RMB'000	**Factoring Related Business** RMB'000	**Consolidated** RMB'000
SEGMENT REVENUE			
External	**72,898**	**6,579**	**79,477**
SEGMENT RESULTS			
Segment (loss) profit	**(136,693)**	**4,315**	**(132,378)**
Other income			**7,879**
Other gains and losses			
– Gain on disposal of property, plant and equipment			**2,506**
– Gains arising from subsidiaries disposed			**51,541**
– Impairment losses on other receivables *(Note 21)*			**(1,350)**
– Net foreign exchange gain			**6,143**
Central administration costs			**(14,823)**
Finance costs			**(12,391)**
Loss before tax			**(92,873)**

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information – Continued

Segment result – Continued

For the year ended 31st December, 2016

	Mining Operatings and consolidated RMB'000
SEGMENT REVENUE – External	84,370
Segment loss	(17,688)
Other income	2,853
Other gains and losses	
– Loss on disposal of property, plant and equipment	(406)
– Impairment losses on other receivables *(Note 21)*	(7,361)
– Net foreign exchange loss	(948)
Central administration costs	(18,910)
Finance costs	(12,700)
Loss before tax	(55,160)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in Note 3.

Segment assets and liabilities

Amounts of segment assets and liabilities of the Group are not reviewed by the CODM or otherwise regularly provided to the CODM, accordingly, segment assets and liabilities are not presented.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information – Continued

Other segment information

Amounts included in the measurement of segment profit (loss):

For the year ended 31st December, 2017

	Mining Operations RMB'000	Factoring Related Business RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation and amortisation	**10,078**	**514**	**–**	**10,592**
Impairment losses of assets	**137,109**	**–**	**–**	**137,109**

For the year ended 31st December, 2016

	Mining Operations RMB'000	Unallocated RMB'000	Total RMB'000
Allowance for inventories	295	–	295
Depreciation and amortisation	11,948	–	11,948

Geographical information

All of external revenues of the Group in both years are attributable to customers established in the PRC, the place of domicile of the Group's major operating entities. More than 99% (2016: 99%) of the Group's non-current assets excluding other financial assets are located in the PRC.

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group are as follows:

	2017 RMB'000	2016 RMB'000
Customer A *(Note)*	**40,826**	25,135
Customer B *(Note)*	**12,850**	10,266

Note: The above customers are related to Mining Operations.

6. OTHER GAINS (LOSSES), NET

	2017 **RMB'000**	2016 RMB'000
Gain (loss) on disposal of property, plant and equipment	**2,506**	(406)
Gains arising from subsidiaries disposed *(Note 30)*	**51,541**	–
Impairment losses on other receivables *(Note 21)*	**(1,350)**	(7,361)
Net foreign exchange gain (loss)	**6,143**	(948)
	58,840	(8,715)

7. IMPAIRMENT LOSSES ON ASSETS

	2017 **RMB'000**	2016 RMB'000
Impairment losses on:		
– property, plant and equipment *(Note 14)*	**17,398**	–
– mining rights *(Note 16)*	**117,592**	–
– goodwill *(Note 18)*	**2,119**	–
	137,109	–

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to each of the eight (2016: eight) directors and the chief executive were as follows:

2017

	Executive directors			Non-executive directors		Independent non-executive directors			
	Mr. Mao Naihe RMB'000	Mr. Hu Huaimin RMB'000	Mr. Bai Zhaoxiang RMB'000	Mr. Wang Lian Chun RMB'000	Mr. Qi Guangya RMB'000	Mr. Cui Shu Ming RMB'000	Dr. Liu Yong Ping RMB'000	Mr. Cheung Ting Kee RMB'000	Total RMB'000
Fees	–	–	–	–	–	217	217	217	651
Other emoluments									
Salaries and other benefits	538	538	510	–	–	–	–	–	1,586
Accommodation provided by the Group	177	264	250	–	–	–	–	–	691
Contributions to retirement benefits schemes	86	64	55	–	–	–	–	–	205
Total emoluments	801	866	815	–	–	217	217	217	3,133

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION – CONTINUED

2016

	Executive directors			Non-executive directors		Independent non-executive directors			
	Mr. Mao Naihe RMB'000	Mr. Hu Huaimin RMB'000	Mr. Bai Zhaoxiang RMB'000	Mr. Wang Lian Chun RMB'000	Mr. Qi Guangya RMB'000	Mr. Cui Shu Ming RMB'000	Dr. Liu Yong Ping RMB'000	Mr. Cheung Ting Kee RMB'000	Total RMB'000
Fees	–	–	–	–	–	212	212	212	636
Other emoluments									
Salaries and other benefits	538	538	510	–	–	–	–	–	1,586
Accommodation provided by the Group	28	212	181	–	–	–	–	–	421
Contributions to retirement benefits schemes	56	64	63	–	–	–	–	–	183
Total emoluments	622	814	754	–	–	212	212	212	2,826

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

In addition to the directors' remuneration disclosed above, certain non-executive directors are not paid directly by the Company but receive remuneration from the Company's holding company, in respect of their services to the larger group which includes the Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.

Mr. Hu Huaimin is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

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

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	**1,548**	1,500
Contributions to retirement benefits schemes	**91**	96
	1,639	1,596

Their emoluments were within the following bands:

	2017 Number of employees	2016 Number of employees
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	–

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION – CONTINUED

During both years, no emoluments were paid by the Group to the five highest paid individuals (including directors, chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the chief executive nor any of the directors of the Company waived any emoluments in the year ended 31st December, 2017 (2016: nil).

9. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on bank borrowings	**–**	583
Interest on corporate bonds	**11,389**	11,141
Imputed interest on provisions *(Note 28)*	**17**	32
Interest on loan from related companies	**985**	944
	12,391	12,700

10. INCOME TAX CREDIT

	2017 RMB'000	2016 RMB'000
Current tax		
– PRC Enterprise Income tax	**2,110**	–
– withholding tax paid in respect of distribution of earning of a PRC subsidiary	**1,400**	–
	3,510	–
Deferred tax *(Note 29)*	**(37,450)**	(13,312)
	(33,940)	(13,312)

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

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

10. INCOME TAX CREDIT – CONTINUED

A PRC mining subsidiary is entitled to the preferential tax rate pursuant to the relevant regulations applicable to enterprises situated in the western regions of the PRC. The applicable tax rates of the PRC mining subsidiaries ranged from 15% to 25% for the year ended 31st December, 2017 (2016: 15% to 25%).

The PRC Enterprise Income Tax for a group entity is calculated at 25% of the estimated assessable profit for the year ended 31st December, 2017. No tax was payable on the profit for the year ended 31st December, 2016 arising in the PRC for a group entity since the assessable profit was wholly absorbed by tax losses brought forward. No provision for the PRC Enterprise Income Tax has been made in the consolidated financial statements as the remaining group entities subjected to the PRC Enterprise Income Tax have no assessable profit for both years.

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

	2017 **RMB'000**	2016 RMB'000
Loss before tax	**(92,873)**	(55,160)
Tax at the domestic income tax rate of 25% *(Note)*	**(23,218)**	(13,790)
Tax effect of expenses not deductible for tax purpose	**10,107**	9,890
Tax effect of income not taxable for tax purpose	**(15,607)**	(1)
Tax effect of tax losses not recognised	**1,634**	3,001
Utilisation of tax losses previously not recognised	**(4,211)**	(109)
Effect of different tax rates of subsidiaries	**47**	1
Reversal of withholding tax for income derived from the PRC subsidiaries	**(2,692)**	(12,304)
Income tax credit	**(33,940)**	(13,312)

Note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used.

11. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

	2017 **RMB'000**	2016 RMB'000
Loss and total comprehensive expense for the year has been arrived at after charging (crediting) the following items:		
Allowance for inventories	**–**	295
Amortisation of mining rights	**3,880**	6,746
Depreciation of property, plant and equipment	**6,343**	4,831
Release of prepaid lease payments	**369**	371
Auditors' remuneration	**2,544**	2,735
Employee benefit expenses	**31,057**	38,429
Interest income from bank deposits	**(299)**	(77)
Imputed interest income on impaired other receivables	**(4,739)**	–

12. LOSS PER SHARE

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

	2017 **RMB'000**	2016 RMB'000
Loss		
Loss for the year attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	**(25,736)**	(41,424)
Number of shares	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,168,626,516**	919,992,636

The computation of the diluted loss per share for the year ended 31st December, 2017 and 2016 does not assume the exercise of the share options because the exercise price of those options was higher than the average market price for shares.

13. DIVIDEND

No dividend was paid or proposed by the directors of the Company for both years, nor has any dividend been proposed since the end of the reporting period.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Mining shafts	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At 1st January, 2016	78,171	21,743	110,740	109,177	9,292	9,204	66,539	404,866
Additions	1,487	–	–	298	71	–	1,558	3,414
Disposals	–	–	–	(4,589)	(12)	(494)	–	(5,095)
At 31st December, 2016	79,658	21,743	110,740	104,886	9,351	8,710	68,097	403,185
Additions	1,744	–	379	501	76	663	3,587	6,950
Transfer	–	–	7,637	–	–	–	(7,637)	–
Disposals	–	–	(352)	(9,029)	(12)	(783)	–	(10,176)
Eliminated on disposals of subsidiaries	(44,961)	(6,541)	(91,008)	(35,658)	(2,442)	(5,488)	(46,277)	(232,375)
At 31st December, 2017	36,441	15,202	27,396	60,700	6,973	3,102	17,770	167,584
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2016	55,026	19,606	108,627	80,273	7,734	7,397	48,478	327,141
Charge for the year	1,340	94	125	2,622	418	232	–	4,831
Eliminated on disposals	–	–	–	(3,819)	(11)	(460)	–	(4,290)
At 31st December, 2016	56,366	19,700	108,752	79,076	8,141	7,169	48,478	327,682
Charge for the year	1,617	88	813	2,840	421	564	–	6,343
Impairment loss recognised in profit or loss	6,633	–	–	10,364	401	–	–	17,398
Eliminated on disposals	–	–	(352)	(7,907)	(11)	(783)	–	(9,053)
Eliminated on disposals of subsidiaries	(44,734)	(6,541)	(91,008)	(35,636)	(2,437)	(4,563)	(45,883)	(230,802)
At 31st December, 2017	19,882	13,247	18,205	48,737	6,515	2,387	2,595	111,568
CARRYING VALUES								
At 31st December, 2017	16,559	1,955	9,191	11,963	458	715	15,175	56,016
At 31st December, 2016	23,292	2,043	1,988	25,810	1,210	1,541	19,619	75,503

14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, as follows:

Buildings	Over the shorter of 20 years or remaining terms of the lease
Leasehold improvement	Over the shorter of 20 years or remaining terms of the lease
Mining shafts	5 years
Plant and machinery	5 – 10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

Certain buildings of the Group are erected in the PRC with respect to which the Group had not been granted formal title of ownership. As at 31st December, 2017, the carrying value of such buildings amounted to RMB12,344,000 (2016: RMB18,852,000). In the opinion of the directors of the Company, the absence of formal title does not impair the value of the relevant buildings.

During the year ended 31st December, 2017, an impairment loss amounting to RMB17,398,000 is recognised. Impairment assessment is set out in Note 17.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land interest in the PRC.

	2017 **RMB'000**	2016 RMB'000
Analysed for reporting purposes as:		
Current assets	**221**	371
Non-current assets	**5,787**	8,754
	6,008	9,125

As at 31st December, 2017, the carrying value of land use rights in respect of which the Group was not yet granted formal title of ownership amounted to RMB6,008,000 (2016: RMB6,228,000). In the opinion of directors of the Company, the absence of formal title to these land use rights does not impair the value of the relevant properties to the Group.

16. MINING RIGHTS

	RMB'000
COST	
At 1st January, 2016 and 31st December, 2016	1,535,544
Addition	9,630
Eliminated on disposals of subsidiaries	(567,580)
At 31st December, 2017	977,594
AMORTISATION AND IMPAIRMENT	
At 1st January, 2016	1,043,664
Charge for the year	6,746
At 31st December, 2016	1,050,410
Charge for the year	3,880
Impairment loss recognised in profit or loss	117,592
Eliminated on disposals of subsidiaries	(559,390)
At 31st December, 2017	612,492
CARRYING VALUES	
At 31st December, 2017	365,102
At 31st December, 2016	485,134

The mining rights represent the rights to conduct mining activities in various locations in the PRC, and have legal lives of two to three years (2016: one to three years). The Group's mining rights are expiring in the period from August 2019 to October 2019. In the opinion of the directors of the Company, the Group will be able to renew the mining rights with the relevant government authorities continuously without significant costs.

The mining rights are amortised by using the units of production method based on the actual production quantity for the year over the proven and probable mineral reserves under the assumption that the Group can renew the mining rights indefinitely till all proven and probable reserves have been mined.

During the year ended 31st December, 2017, an impairment loss amounting to RMB117,592,000 is recognised. Impairment assessment is set out in Note 17.

17. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT, MINING RIGHTS AND GOODWILL

During the year ended 31st December, 2017, the management conducted an impairment review on the related assets of the CGU which is engaged in mining and processing of gold and stone for construction from gold mine in the PRC ("CGU 1"), due to the implementation of various interim measures in relation to environmental protection and transportation by respective government authorities which had adversely disrupted the production plan and product delivery of this cash generating unit. Such measures are expected to be in force in the foreseeable future.

The management relied on the valuation carried out by an independent professional valuer to determine the recoverable amount of the CGU which is value in use calculation. No market price is available for the mining rights and the related property, plant and equipment as there is no active market for similar asset transfer in the similar location. It is not possible to estimate the recoverable amount of individual asset of the CGU, the Group determined the recoverable amount the CGU to which the assets belong for the impairment review. The table below summaries the impairment losses recognised for CGU 1:

2017

	CGU 1 RMB'000
Carrying amount of related assets of the CGU	
– before impairment loss	307,316
– after impairment loss	170,207
Value in use of the CGU	170,207
Impairment loss recognised for the year ended 31st December, 2017	137,109

17. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT, MINING RIGHTS AND GOODWILL – CONTINUED

The value in use calculation of the CGU was based on estimated cash flow projections prepared based on forecasted production schedules approved by the directors of the Company that reflect the net cash flows to be generated from the CGU from the expected mining and sales of the mineral concentrates less the estimated costs of the production of the mineral concentrates. The selling prices of the mineral concentrates were based on the quoted spot and forward metal market prices available at the end of the reporting period. Other key assumptions of CUG 1 are as follows:

2017

	CGU 1
Discount rate (%) *(Note)*	17.5
Processing recovery rate (%)	63.8
Expected mine life period (years)	6

Note: The discount rate was determined based on the capital asset pricing model and cost of debt.

Aggregate impairment losses of RMB117,592,000, RMB17,398,000 and RMB2,119,000 for the year ended 31st December, 2017 had been recognised on mining rights, production assets of CGU 1 included in the Group's property, plant and equipment and goodwill respectively.

During the year ended 31st December, 2016, the management conducted an impairment review on the related assets of the CGU which is engaged in mining and processing of zinc, lead and copper in the PRC, due to the recurring loss and impairment losses had been recognised on the related mining rights and production assets in prior years. As at 31st December, 2016, the carrying amount of the related assets of this CGU was RMB247,930,000. Based on the assessment by the management, no impairment loss was required to be recognised for this CGU during the year ended 31st December, 2016. During the year ended 31st December, 2017, the management conducted an impairment review on this CGU. Based on the assessment by the management, no reversal of impairment loss was required to be made during the year ended 31st December, 2017.

During the year ended 31st December, 2016, the mining operation of Tengchong Ruitu Mining and Technology Company Limited ("Tengchong Ruitu") was still in suspension. Based on the assessment by the management, no reversal of impairment loss was required to be made during the year ended 31st December, 2016. During the year ended 31st December, 2017, Tengchong Ruitu was disposed of as detailed in Note 30(c).

18. GOODWILL

	RMB'000
COST	
At 1st January, 2016, 31st December, 2016 and 31st December, 2017	12,170
IMPAIRMENT	
At 1st January, 2016 and 31st December, 2016	10,051
Impairment loss recognised in profit or loss	2,119
At 31st December, 2017	12,170
CARRYING VALUES	
At 31st December, 2017	–
At 31st December, 2016	2,119

During the year ended 31st December, 2017, an impairment loss amounting to RMB2,119,000 is recognised. Impairment assessment is set out in Note 17.

19. LONG TERM DEPOSITS

Long term deposits represent environmental rehabilitation deposits paid to the local government in the PRC, carrying interest at prevailing market rate of 0.35% (2016: 0.35%) per annum. The amounts will be refunded at the cessation of mining activities or closure of mines if and only if the environmental rehabilitation work of the relevant mines meets the government's requirements. They are not expected to be refunded within the next twelve months.

20. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials and consumables	**4,481**	10,951
Finished goods	**10,444**	12,641
	14,925	23,592

21. TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Current		
Trade receivables	4,618	5,723
Bills receivables	–	12,346
Factoring receivables	57,024	–
Advance payments to suppliers	500	1,135
Deferred consideration receivable *(Note 30(c))*	50,660	–
Deposits paid for investments *(Note i)*	39,725	26,685
Loan receivable *(Note ii)*	15,545	6,529
Other receivables and prepayments	3,496	2,755
	171,568	55,173
Non-current		
Deposits paid for investments *(Note i)*	–	18,624
Loan receivable *(Note ii)*	18,807	31,103
	18,807	49,727
	190,375	104,900

Notes:

(i) As at 31st December, 2017, aggregate deposits of US$6,245,000 (approximately RMB40,804,000) (2016: US$7,000,000 (approximately RMB48,680,000)) have been paid to the Vendor (as defined below) (the "Deposits").

During the year ended 31st December, 2013, a wholly owned subsidiary of the Company, Yue Da Mining Limited ("YDM"), entered into an acquisition agreement (the "Acquisition Agreement") with an independent third party ("Vendor"). Pursuant to the Acquisition Agreement, YDM conditionally agreed to acquire and the Vendor conditionally agreed to sell (i) the entire issued share capital of two companies which are incorporated in the British Virgin Islands (the "Target Companies") and (ii) the shareholder loans as at the completion date of the Acquisition Agreement of the Target Companies, at a consideration of US$34 million (subject to any downward adjustments). The Target Companies have entered into sale and purchase agreements to acquire the entire capital of a company incorporated in Vietnam (the "Vietnam Company") which is principally engaged in the exploration of the certain mines in Vietnam which contain ilmenite, zircon, rutile and monazite ore resources. Pursuant to the Acquisition Agreement, the Deposits are secured by the charges over the entire issued share capital in the Target Companies and the mortgage over the shares of the Vietnam Company in favour of YDM. As certain conditions precedent to the Acquisition Agreement were not fulfilled on 15th November, 2014 (and the long stop date was not further extended), the acquisition was terminated on the same date.

21. TRADE AND OTHER RECEIVABLES – CONTINUED

Notes: – Continued

(i) – Continued

Subsequent to 31st December, 2016, YDM and the Vendor have entered into a settlement agreement (the "Deposits Settlement Agreement") for the repayment of the Deposits. Pursuant to the Deposits Settlement Agreement, the Vendor shall forthwith pay YDM the sum of US$2 million, representing partial refund of the Deposits on or before 31st May, 2017 (the "Partial Refund"). Upon the Vendor's fulfilment of his obligation under the Partial Refund, YDM agrees to give the Vendor the following concessions: (1) YDM will not claim from the Vendor interest on the Deposits up to the date of Deposits Settlement Agreement, and (2) YDM shall release the mortgage over 60% of the share of the Vietnam Company by YDM. Provided that the Vendor fully complies with his obligations under the Partial Refund, YDM agrees to give the Vendor that the Vendor may defer refund payment to YDM of the remaining balance of US$5 million, by four instalments in accordance with the following timetable:

	US$'000
Repayment date	
30th September, 2017	1,000
31st December, 2017	1,000
30th June, 2018	1,000
31st December, 2018	2,000
	5,000

Based on the assessment by the management and taking into account the change of the repayment period, an impairment loss of RMB3,371,000 (Note 6) was recognised for the year ended 31st December, 2016. During the year ended 31st December, 2017, partial refund of US$755,000 (approximately RMB4,991,000) was received from the Vendor. As the Deposits are carried at amortised cost, an imputed interest of RMB2,292,000 is recognised as other income in profit or loss during the year ended 31st December, 2017 (2016: nil). As at 31st December, 2017, the aggregate carrying amount of the Deposits was RMB39,725,000 (2016: RMB45,309,000) with accumulated impairment loss of RMB3,371,000 (2016: RMB3,371,000). However, the Vendor failed to settle the balances according to the agreed schedule. The Group is actively negotiating with the Vendor with an aim to reach a new executive settlement agreement. In the opinion of the directors of the Company, having considered the fair value of the collateral assets pledged by the Vendor, as at 31st December, 2017, no further impairment loss is required. Subsequent to 31st December, 2017, a refund of RMB1,273,000 was received from the Vendor.

(ii) YDM entered into a loan agreement on 21st January, 2013 and subsequent supplemental agreement on 30th January, 2013 (collectively referred to as the "Loan Agreements") with Mineral Land Holdings Limited ("Mineral Land"), an independent third party, whereby YDM provided to Mineral Land a loan facility of up to US$16 million (approximately RMB100,500,000). US$8 million was drawn by Mineral Land since the Loan Agreements had been entered into. The facility is secured by a pledge of 60% equity interest in a company incorporated in Vietnam and is also guaranteed by an independent third party ("Guarantor").

As at 31st December, 2017, the principal amount of the outstanding loan owed by Mineral Land was US$5,700,000 (approximately RMB37,245,000) (2016: US$6,000,000 (approximately RMB41,622,000)).

21. TRADE AND OTHER RECEIVABLES – CONTINUED

Notes: – Continued

(ii) – Continued

After various negotiation between YDM and Mineral Land during the year ended 31st December, 2016, it is expected that the repayment schedule of loan is as follows:

	US$'000
Repayment date	
31st December, 2017	1,000
30th June, 2018	2,000
31st December, 2018	3,000
	6,000

Based on the assessment by the management and taking into account the change of the repayment period, an impairment loss of RMB3,990,000 (Note 6) was recognised for the year ended 31st December, 2016. As at 31st December, 2016, the aggregate carrying amount of the outstanding loan owed by Mineral Land was RMB37,632,000.

On 22nd December, 2017, YDM, Mineral Land and Guarantor have entered into a settlement agreement (the "Mineral Land Loan Settlement Agreement") for the repayment of the outstanding loan owed by Mineral Land. Pursuant to the Mineral Land Loan Settlement Agreement, Mineral Land agrees to pay YDM a sum of US$300,000 as immediate available fund on or before 31st December, 2017 in partial satisfaction for the repayment of the loan. YDM agrees to give Mineral Land concessions in that Mineral Land may defer repayment of the remaining outstanding amount of the loan owned by Mineral Land, by four instalments in accordance with the following timetable:

	US$'000
Due date	
30th June, 2018	900
31st December, 2018	1,600
30th June, 2019	1,600
31st December, 2019	1,600

Other major terms of Mineral Land Loan Settlement Agreement are set out in the Company's announcement dated 22nd December, 2017.

Upon the execution of Mineral Land Loan Settlement Agreement, repayment of US$300,000 (approximately RMB1,982,000) was received from Mineral Land. Based on the assessment by the management and taking into account the change of the repayment period pursuant to the Mineral Land Loan Settlement Agreement, an impairment loss of RMB1,350,000 (note 6) was recognised for the year ended 31st December, 2017. As the outstanding loan owed by Mineral Land is carried at amortised cost, an imputed interest of RMB2,447,000 is recognised as other income in profit or loss during the year ended 31st December, 2017 (2016: nil). As at 31st December, 2017, the aggregate carrying amount of the outstanding loan owed by Mineral Land was RMB34,352,000 (2016: RMB37,632,000) with accumulated impairment loss of RMB5,340,000 (2016: RMB3,990,000).

21. TRADE AND OTHER RECEIVABLES – CONTINUED

The Group allows its trade customers an average credit period of 60-90 days. The following is an aged analysis of trade receivables and bills receivables, presented based on the invoice date at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
0 – 60 days	**3,485**	7,678
61 – 120 days	**–**	2,486
121 – 180 days	**–**	6,236
Over 180 days	**1,133**	1,669
	4,618	18,069

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy history. Credit limits attributed to customers are reviewed regularly.

In determining the recoverability of trade and bills receivables that were neither past due nor impaired, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the report date. Since no default payment history was noted and the amounts are within its credit period, the directors of the Company considered that there is no credit provision is required.

Included in the Group's trade receivables are debtors, with a carrying amount of RMB1,133,000 (2016: RMB7,905,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amount are still considered recoverable. The Group does not hold any collateral over these balances.

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

	2017 RMB'000	2016 RMB'000
Past due by:		
31 – 90 days	**–**	6,236
Over 90 days	**1,133**	1,669
	1,133	7,905

The management reviews and assesses for impairment the factoring receivables on a collective basis and continues to monitor any significant changes.

21. TRADE AND OTHER RECEIVABLES – CONTINUED

At as 31st December, 2017, the factoring receivable of RMB57,024,000 (2016: Nil) were neither past due nor impaired.

No impairment allowance was made for the outstanding balance of the factoring receivable at 31st December, 2017 (2016: Nil).

22. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	2017	2016
	RMB'000	RMB'000
Yue Da Enterprise	**–**	2,031
Jiangsu Yue Gang International Trade Co., Ltd. ("Jiangsu Yue Gang") *(Note 1)*	**200**	–
	200	2,031

The amounts due from related companies are non-trade nature, unsecured, interest-free and repayable on demand.

	Due to	
	2017	2016
	RMB'000	RMB'000
Jiangsu Yue Da	**10,050**	10,000
Yue Da HK	**22,091**	13,281
Jiangsu Yue Da Group Finance Co., Ltd. ("Jiangsu Yue Da Group Finance") *(Note 1)*	**20,000**	20,000
Yue Da Enterprise	**8,111**	–
Yueda Commercial Factoring Co., Ltd. ("Yueda Commercial Factoring") *(Note 1)*	**400,000**	–
Yancheng Tongda Highway Co., Ltd. ("Yancheng Tongda") *(Note 1)*	**–**	5,000
	460,252	48,281

22. AMOUNTS DUE FROM/TO RELATED COMPANIES – CONTINUED

The amounts due to related companies are non-trade nature and unsecured. The amount due to Jiangsu Yue Da is interest-bearing at 5.46% per annum (2016: 5.46%) and repayable on demand. The amount due to Jiangsu Yue Da Group Finance is interest-bearing at 6% per annum (2016: 4.79% per annum) and repayable within one year. The amount due to Yueda Commercial Factoring is interest-free and fully repaid after the end of reporting period. The remaining balance of amounts due to related companies are interest-free and repayable on demand. The Group had drawdown of an interest-bearing revolving loan from Yue Da HK of approximately RMB355 million after the end of reporting period pursuant to the agreement with Yue Da HK dated 26th September, 2017.

The Group's amount due to a related company that is denominated in a currency other than the functional currency of the relevant group entity is set out below:

	2017 **RMB'000**	2016 RMB'000
Hong Kong Dollars ("HK$")	**2,510**	1,636

Note:

(1) Jiangsu Yue Gang, Jiangsu Yue Da Group Finance, Yueda Commercial Factoring and Yancheng Tongda are fellow subsidiaries of the Company.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and with a finance company with an original maturity of three months or less. The bank balances carry interest at market rates which range from 0.01% to 0.35% (2016: 0.01% to 0.35%) per annum.

As at 31st December, 2017, the Group's cash and cash equivalents of RMB471,601,000 are deposited with Jiangsu Yue Da Group Finance, a finance company of enterprise group regulated by China Banking Regulatory Commission and a fellow subsidiary of the Group. (2016: RMB10,095,000).

The Group's cash and cash equivalents that are denominated in a currency other than the functional currency of the relevant group entity are set out below:

	2017 **RMB'000**	2016 RMB'000
United States Dollars ("US$")	**4,853**	55
HK$	**1,032**	20,047

24. TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**7,042**	9,063
Advance payments from customers	**13,455**	5,098
Accrued staff costs	**7,219**	7,872
Other tax payables	**4,274**	1,642
Mining fee payables	**–**	3,874
Other payables and accrued charges	**18,770**	29,720
	50,760	57,269

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

	2017 RMB'000	2016 RMB'000
0 – 60 days	**5,294**	4,809
61 – 120 days	**970**	820
Over 120 days	**778**	3,434
	7,042	9,063

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit period.

25. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand. The entire amounts are denominated in HK$, a currency other than the functional currency of the relevant group entity.

26. SHARE CAPITAL

	Number of shares	Amount	Shown in the consolidated financial statements
		HK$'000	RMB'000
Ordinary shares of HK$0.10 each:			
Authorised			
At 1st January, 2016, 31st December, 2016 and 2017	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2016	918,626,516	91,862	83,706
Issue of shares *(Note)*	250,000,000	25,000	22,259
At 31st December, 2016 and 31st December, 2017	1,168,626,516	116,862	105,965

Note: On 30th December, 2016, the subscription of 250,000,000 share of HK$0.10 each in the Company by Yue Da HK, at subscription price of HK$0.38 each is completed in accordance with the terms and conditions of the subscription agreement dated 11th November, 2016. The details of the subscription are set out in the Company's announcement dated 11th November, 2016 and the Company's circular dated 7th December, 2016.

27. CORPORATE BONDS

On 11th March, 2015, the Company entered into a subscription agreement with an independent third party (the "Subscriber") pursuant to which the Subscriber has agreed to subscribe for and the Company has agreed to issue 6% coupon unlisted corporate bonds in the aggregate maximum principal amount of up to HK$300,000,000, bearing interest rate at 6% per annum and with a maturity date of forty-eight months from the date of issue. As at 31st December, 2017, the corporate bonds amounted to HK$165,096,000 (approximately RMB138,003,000) (2016: HK$162,128,000 (approximately RMB145,024,000)) were recorded as non-current liabilities.

28. PROVISIONS

	RMB'000
Restoration, rehabilitation and environmental costs	
At 1st January, 2016	2,275
Imputed interest	32
At 31st December, 2016	2,307
Imputed interest	17
At 31st December, 2017	2,324

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the costs for land reclamation and mine closures for certain of the Group's existing mines. The provision for restoration, rehabilitation and environmental costs were determined by the directors of the Company based on their best estimates and recognised on its initial recognition at an effective interest rate of 8.7% per annum.

29. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereof during the current and prior years:

	Temporary differences on non-current assets *(note)* RMB'000	**Withholding taxes** RMB'000	**Total** RMB'000
At 1st January, 2016	84,622	21,553	106,175
Credit to profit or loss	(1,008)	(12,304)	(13,312)
At 31st December, 2016	83,614	9,249	92,863
Credit to profit or loss	(33,358)	(2,692)	(36,050)
Reversal upon payment of withholding tax	–	(1,400)	(1,400)
Disposals of subsidiaries	28,153	–	28,153
At 31st December, 2017	**78,409**	**5,157**	**83,566**

Note: It represents the deferred tax on temporary differences associated with property, plant and equipment/mining rights.

29. DEFERRED TAX LIABILITIES – CONTINUED

At the end of the reporting period, the Group had unused tax losses of approximately RMB12,729,000 (2016: RMB150,019,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such tax losses can be carried forward for five years following the loss year.

In addition, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have been recognised was RMB72,235,000 (2016: RMB87,593,000).

30. DISPOSALS OF SUBSIDIARIES

(a) On 19th May, 2017, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a third party ("Purchaser 1") pursuant to which the Group has agreed to sell and the Purchaser 1 has conditionally agreed to acquire the 100% equity interest in Long Grand Investments Limited ("Long Grand"). The total consideration for the disposal is RMB3,050,000. The principal assets of the Long Grand is its investment in a wholly owned subsidiary, Zhen'an County Daqian Mining Development Co., Ltd. ("Daqian Mining") which is engaging in mining and processing zinc and lead. The disposal was completed during the year ended 31st December, 2017.

The following are the assets and liabilities disposed of on the date of completion:

	RMB'000
Net liabilities disposed of:	
Property, plant and equipment	59
Inventories	449
Trade and other receivables	1,591
Trade and other payables	(5,820)
Taxation payable	(177)
	(3,898)
Gain on disposal	6,948
Total consideration	3,050
Satisfied by:	
Cash	3,050
Net cash inflow arising on disposal:	
Cash consideration	3,050

During the period between 1st January, 2017 and the date of disposal, Long Grand and its subsidiary contributed no material profit or loss to the Group's results. Long Grand and its subsidiary did not have material effect on the Group's cash flow during the year.

30. DISPOSALS OF SUBSIDIARIES – CONTINUED

(b) On 6th November, 2017, a third party has successfully bid for the 100% equity interest in Yuelong (Yaoan) Limited ("Yuelong") under an open auction held on 6th November, 2017 by the Company. The successful bid price is RMB25,800,000. The principal assets of the Yuelong is its investment in a wholly owned subsidiary, Yaoan Feilong Mining Co., Ltd. ("Yaoan Feilong") which is engaged in mining and processing zinc and lead. The disposal was completed during the year ended 31st December, 2017.

The following are the assets and liabilities disposed of on the date of completion:

	RMB'000
Net assets disposed of:	
Property, plant and equipment *(note)*	6,935
Prepaid lease payments	1,781
Mining rights *(note)*	3,983
Other non-current assets	7,854
Inventories	1,968
Trade and other receivables	1,892
Cash and cash equivalents	800
Trade and other payables	(1,325)
	23,888
Gain on disposal *(note)*	1,912
Total consideration	25,800
Satisfied by:	
Cash	25,800
Net cash inflow arising on disposal:	
Cash consideration	25,800
Cash and cash equivalents disposal of	(800)
	25,000

Note: The management has conducted an impairment assessment before the completion of the disposal and determined that the impairment losses previously recognised for property, plant and equipment/mining rights of RMB9,404,000 in total should be reversed by reference to the successful bid price. Accordingly, the total gains arising from subsidiary disposed is RMB11,316,000.

During the period between 1st January, 2017 and the date of disposal, Yuelong and its subsidiary contributed no material profit or loss to the Group's results. Yuelong and its subsidiary did not have material effect on the Group's cash flow during the year.

30. DISPOSALS OF SUBSIDIARIES – CONTINUED

(c) On 11th December, 2017, a third party has successfully bid for the 100% equity interest in Fly Ascent Group Limited ("Fly Ascent") under an open auction held on 11th December, 2017 by the Company. The successful bid price is RMB65,100,000. The principal assets of the Fly Ascent is its investment in a wholly owned subsidiary, Tengchong Ruitu which is engaged in mining, processing and sales of gold and processing and sales of tailings and leach residue of gold ores. The disposal was completed during the year ended 31st December, 2017.

The following are the assets and liabilities disposed of on the date of completion:

	RMB'000
Net assets disposed of:	
Property, plant and equipment *(note 1)*	9,762
Prepaid lease payments	967
Mining rights *(note 1)*	26,882
Other non-current assets	21,236
Inventories	2,744
Trade and other receivables	4,847
Cash and cash equivalents	50
Trade and other payables	(2,952)
Amount due to a related company	(3,259)
	60,277
Gain on disposal *(note 1)*	4,823
Total consideration	65,100
Satisfied by:	
Deferred consideration (included in trade and other receivables) *(note 2)*	50,660
Cash	14,440
	65,100
Net cash inflow arising on disposal:	
Cash consideration	14,440
Cash and cash equivalents disposal of	(50)
	14,390

Notes:

(1) The management has conducted an impairment assessment before the completion of the disposal and determined that the impairment losses previously recognised for property, plant and equipment/mining rights of RMB28,454,000 in total should be reversed by reference to the successful bid price. Accordingly, the total gains arising from subsidiary disposed is RMB33,277,000.

(2) Subsequent to 31st December, 2017, the deferred consideration of RMB50,660,000 was fully settled.

During the period between 1st January, 2017 and the date of disposal, Fly Ascent and its subsidiary contributed no material profit or loss to the Group's results. Fly Ascent and its subsidiary did not have material effect on the Group's cash flow during the year.

31. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution passed on 12th November, 2001 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group, and expired on 28th November, 2012. Under the Scheme, the directors of the Company may grant options to any director or employee of the Company and its subsidiaries or other eligible participants, to subscribe for shares in the Company.

An option may be accepted by a participant upon payment of HK$1 per option and within such time as may be specified in the offer for grant of the option, which shall not be later than 21 days of the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors of the Company at the time of such grant to each grantee, which period commence on the date of acceptance of the offer for the grant of option but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

The Scheme was terminated pursuant to a resolution passed on 9th June, 2011. Outstanding options under the Scheme shall continue to be valid and exercisable in accordance with the Scheme after its termination.

On 11th June, 2011, a new share option scheme was adopted pursuant to a resolution passed on 9th June, 2011 (the "New Scheme"). The purpose of the New Scheme is to enable the Group to grant share options to the eligible participants as incentives or rewards for their contribution to the Group. The New Scheme is valid for 10 years from the date of its adoption.

Under the New Scheme, the board of directors of the Company may, at its discretion, invite any eligible participant to take up options to subscribe for shares in the Company.

The eligibility of any of the eligible participants to an offer of share options shall be determined by the directors of the Company from time to time on the basis of the opinion of the directors of the Company as to his contribution to the development and growth of the Group. The eligible participants included:

(a) any eligible employee;

(b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any entity in which any member of the Group holds any equity interest ("Invested Entity");

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

31. SHARE-BASED PAYMENTS – CONTINUED

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the New Scheme, the offer of share options may be made to any company wholly owned by one or more eligible participants.

The making of an offer of share options to any director of the Company, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director of the Company who or whose associate is the proposed grantee of an option).

The maximum number of the Company's shares which may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme and any other share option schemes adopted by the Company shall not exceed 30% of the share capital of the Company in issue from time to time. No options may be granted under the New Scheme or any other share option scheme adopted by the Company if the grant of such option will result in the limit referred to in this paragraph being exceeded.

The total number of the Company's shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Scheme and any other share option scheme of the Company) to be granted under the New Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the Company's shares in issue at the date of approval of the New Scheme.

Options granted must be taken up not be later than 21 days from the offer date, upon payment of HK$1 per each grant. Any option under the New Scheme which has vested, in respect of which all conditions attaching to it have satisfied and which has not lapsed may be exercised at any time during the validity period of the options as specified in the offer for the grant of the options.

The exercise price in respect of any share option shall, subject to any adjustments made pursuant to the New Scheme for the event of any alteration in the capital structure of the Company, be at the discretion of the directors of the Company, provided that it shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Company's shares on the offer date of share options, (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date of share options, and (iii) the nominal value of the Company's share.

31. SHARE-BASED PAYMENTS – CONTINUED

At 31st December, 2017, the number of shares in respect of which options remained outstanding under the Scheme was 10,833,858 (2016: 39,466,059), representing 1% (2016: 3%) of the shares of the Company in issue at that date.

The following table discloses details of the Company's share options held by directors and other eligible persons during the both years:

	Date of grant	Exercise price per share	Exercisable period	Outstanding at 1st January, 2016 and 31st December, 2016	Expired during the year	Outstanding at 31st December, 2017
Directors of the Company	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	434,393	–	434,393
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	2,270,014	–	2,270,014
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	1,719,144	(1,719,144)	–
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	1,289,358	(1,289,358)	–
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	1,289,358	(1,289,358)	–
				7,002,267	(4,297,860)	2,704,407

31. SHARE-BASED PAYMENTS – CONTINUED

	Date of grant	Exercise price per share	Exercisable period	Outstanding at 1st January, 2016 and 31st December, 2016	Expired during the year	Outstanding at 31st December, 2017
Other eligible persons	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	2,656,012	–	2,656,012
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	3,351,039	–	3,351,039
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	1,804,040	–	1,804,040
	19th April, 2010	1.6170	20th April, 2011 to 19th April, 2020	159,180	–	159,180
	19th April, 2010	1.6170	20th April, 2012 to 19th April, 2020	159,180	–	159,180
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	6,133,737	(6,133,737)	–
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	4,600,302	(4,600,302)	–
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	4,600,302	(4,600,302)	–
	23rd January, 2014	0.445	*Note i*	9,000,000	(9,000,000)	–
				32,463,792	(24,334,341)	8,129,451
Total				39,466,059	(28,632,201)	10,833,858
Exercisable				30,466,059		10,833,858
Weighted average exercise price (HK$)				0.71		1.00

31. SHARE-BASED PAYMENTS – CONTINUED

Note:

(i) Pursuant to a grant letter entered between the Company and an eligible grantee ("Grantee") on 23rd January, 2014 ("Grant Letter"), share options in respect of up to a total of 9,000,000 ordinary shares of HK$0.10 each in the share capital of the Company were granted by the Company to the Grantee in consideration of the provision by the Grantee as an investment consultant engaged by the Company of certain services to the Group from time to time. The exercisable period of those share options is from the date of the exercise condition being satisfied as specified in the Grant Letter, and expire on the third anniversary of the date of grant. The details of the Grant Letter are set out in the Company's announcement dated 23rd January, 2014. As at 31st December, 2016, no share options granted under the Grant Letter was exercisable. Those share options are expired during the year ended 31st December, 2017.

The Group recognised the total expenses of Nil (2016: Nil) for the year ended 31st December, 2017 in relation to the share options granted by the Company.

32. 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 Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debts, which include amounts due to related companies, amounts due to directors, corporate bonds and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**712,034**	227,358
Financial liabilities		
Amortised cost	**616,587**	227,830

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies

The Group's major financial instruments include long term deposits, trade and other receivables, amounts due from related companies, cash and cash equivalents, trade and other payables, amounts due to related companies/directors and corporate bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate 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.

Market risk

Currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities which are denominated in a currency other than the functional currency of the relevant group entities at the end of the reporting period date are as follows:

	Liabilities		Assets	
	2017 **RMB'000**	2016 RMB'000	**2017** **RMB'000**	2016 RMB'000
US$	**–**	–	**81,176**	82,996
HK$	**144,498**	146,977	**1,126**	20,047

Sensitivity analysis

The Group is mainly exposed to HK$ and US$ exchange risk.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK$ and US$. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The sensitivity analysis includes other receivables, amounts due from related companies, amounts due to related companies, amounts due to directors, cash and cash equivalents and corporate bonds that are denominated in HK$ and US$. A positive number below indicates an increase in post-tax loss for the year where HK$ and US$ weakening 5% (2016: 5%) against the functional currency of the relevant group entities. For a 5% (2016: 5%) strengthen of HK$ and US$ against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result.

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Market risk – Continued

Currency risk – Continued

Sensitivity analysis – Continued

	US$ Impact		HK$ Impact	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Post-tax loss for the year	**4,059**	4,150	**(7,169)**	(6,347)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to amounts due to related parties and corporate bonds. Currently, the Group does not have a hedging policy. However, the management monitors interest rate exposure and will consider hedging significant fixed interest rate exposure should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to long term deposits and variable-rate deposits as included in cash and cash equivalents. It is the Group's policy to keep its deposits as included in cash and cash equivalents at floating rate of interests so as to minimise the fair value interest rate risk. The management considers that the cash flow interest rate risk arising from deposits as included in cash and cash equivalents is insignificant having regard to the stable trend in interest rates and thus no material fluctuation is anticipated in the near future. The management also considers such exposure for long term deposits is not significant. Accordingly, no sensitivity analysis is presented.

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk

As at 31st December, 2017, the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position best represents the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or related companies.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk on other receivables and deferred consideration receivables. Other receivables and deferred consideration receivables were mainly due from two (2016: two) and one (2016: nil) external parties respectively.

In order to minimise the credit risk, the Group has 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 trade and other receivable 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.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. 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 other non-derivative financial liabilities 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.

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Liquidity risk – Continued

Liquidity risk tables

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1 – 3 months RMB'000	3 months to 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
2017								
Non-derivative financial liabilities								
Trade and other payables	–	14,336	1,055	2,621	–	–	18,012	18,012
Amounts due to related companies	6%	440,252	–	20,800	–	–	461,052	460,252
Amounts due to directors	–	320	–	–	–	–	320	320
Corporate bonds	7.81%	–	2,090	6,386	143,704	–	152,180	138,003
		454,908	3,145	29,807	143,704	–	631,564	616,587
2016								
Non-derivative financial liabilities								
Trade and other payables	–	26,368	–	7,840	–	–	34,208	34,208
Amounts due to related companies	4.79%	28,281	–	20,678	–	–	48,959	48,281
Amounts due to directors	–	317	–	–	–	–	317	317
Corporate bonds	7.81%	–	2,236	4,035	162,848	–	169,119	145,024
		54,966	2,236	32,553	162,848	–	252,603	227,830

The amounts included above for variable interest rate instruments is subject to change if interest rates differ to those determined at the end of the reporting period.

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

34. 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.

	Amounts due to related companies	**Corporate bonds**	**Total**
	RMB'000	RMB'000	RMB'000
At 1st January, 2017	48,281	145,024	193,305
Financing cash flows	414,366	(8,811)	405,555
Disposals of subsidiaries *(Note 30(c))*	(3,259)	–	(3,259)
Foreign exchange translation	(121)	(9,599)	(9,720)
Interest expenses	985	11,389	12,374
At 31st December, 2017	460,252	138,003	598,255

35. RETIREMENT BENEFITS SCHEMES

The relevant PRC subsidiaries are required to make contributions to the state-managed retirement schemes in the PRC based on 20% (2016: 20%) of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staffs.

In addition, the Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes either 5% or 10% (2016: 5% or 10%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost of RMB1,965,000 (2016: RMB2,128,000) recognised to profit or loss represents contributions payable to these schemes by the Group in respect of current year.

36. OPERATING LEASE COMMITMENTS

The minimum lease payments paid under operating leases in respect of rented premises and equipment during the year ended 31st December, 2017 amounted to RMB3,906,000 (2016: RMB3,488,000).

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

	2017 **RMB'000**	2016 RMB'000
Within one year	**3,782**	3,125
In the second to fifth year inclusive	**197**	3,021
	3,979	6,146

Included in the above are lease commitment to a fellow subsidiary and the ultimate parent of RMB3,521,000 (2016: RMB6,074,000) by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

37. CAPITAL COMMITMENTS

	2017 **RMB'000**	2016 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**53**	1,888

38. RELATED PARTY DISCLOSURES

(i) The transactions and balances with government-related entities are listed below:

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government. The Company is ultimately controlled by the PRC government. The Company's parent is Yue Da HK, a company incorporated in Hong Kong with limited liabilities, and the Company's ultimate parent is Jiangsu Yue Da, which is controlled by the Yancheng Municipal People's Government.

(a) Transactions and balances with Jiangsu Yue Da and its subsidiaries:

Name of related parties	Nature of transactions	2017 RMB'000	2016 RMB'000
Ultimate holding company			
Jiangsu Yue Da	Interest expenses on loan	**549**	561
Immediate holding company			
Yue Da HK	Rentals paid for office premises and staff quarters by the Group *(Note)*	**2,711**	2,663
Fellow subsidiary			
Yue Da Enterprise	Rentals paid for staff quarter by the Group *(Note)*	**473**	358
Jiangsu Yue Da Group Finance	Interest expenses on loan	**436**	383

Note: The rentals were charged in accordance with the relevant tenancy agreements.

Details of the outstanding balances with Jiangsu Yue Da and its subsidiaries are set out in Notes 22 and 23.

Details of the subscription of the shares by Yue Da HK during the year ended 31st December, 2016 are set out in Note 26.

Details of the operating lease commitment with the related parties are set out in Note 36.

(b) Transactions and balances with other government related entities:

Apart from the transactions with related parties disclosed above, the Group also conducts business with other government related entities. The directors of the Company consider those government related entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other government related entities, the Group does not differentiate whether the counter-party is a government related entity or not.

38. RELATED PARTY DISCLOSURES – CONTINUED

(ii) Compensation of key management personnel

The remuneration of directors and key management during the year, which is determined by the remuneration committee having regard to the performance of individuals and market trends, is as follows:

	2017 RMB'000	2016 RMB'000
Short-term benefits	3,825	3,507
Post-employment benefits	296	279
	4,121	3,786

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31st December, 2017 and 2016 are as follows:

Name of subsidiary	Country of establishment and operations	Registered capital	Attributable equity interest held indirectly by the Company 2017 %	Attributable equity interest held indirectly by the Company 2016 %	Principal activities
Baoshan Feilong Nonferrous Metal Co., Ltd. *(Note)*	PRC	Registered capital - RMB34,500,000	100	100	Mining and processing zinc, copper and lead
Daqian Mining *(Note)*	PRC	Registered capital - RMB5,000,000	–	100	Mining and processing zinc and lead
Tengchong Ruitu *(Note)*	PRC	Registered capital - RMB11,000,000	–	100	Mining and processing iron and zinc

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – CONTINUED

Name of subsidiary	Country of establishment and operations	Registered capital	Attributable equity interest held indirectly by the Company		Principal activities
			2017	2016	
			%	%	
Tong Ling Guan Hua Mining Company Limited ("Tong Ling Guan Hua") *(Note)*	PRC	Registered capital - RMB18,000,000	**70**	70	Mining, processing and sales of gold and processing and sales of tailings and leach residue of gold ores
Yaoan Feilong *(Note)*	PRC	Registered capital - RMB17,400,000	**–**	100	Mining and processing zinc and lead
Yueda (Shenzhen) Commercial Factoring Co., Ltd. *(Note)*	PRC	Registered capital - RMB400,000,000	**100**	–	Provision of factoring services, accounts receivable management and collection and factoring consultancy services

Note: The companies are wholly foreign-owned enterprises.

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

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

40. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Tong Ling Guan Hua	PRC	**30%**	30%	**(33,197)**	(424)	**28,870**	62,067

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Tong Ling Guan Hua

	2017 RMB'000	2016 RMB'000
Current assets	**41,533**	58,480
Non-current assets	**170,243**	313,545
Current liabilities	**(74,130)**	(61,992)
Non-current liabilities	**(40,008)**	(73,738)
Equity attributable to owners of the Company	**68,768**	174,228
Non-controlling interests	**28,870**	62,067

40. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS – CONTINUED

Tong Ling Guan Hua – Continued

	2017 RMB'000	2016 RMB'000
Revenue	**7,699**	49,199
Expenses	**(152,103)**	(51,280)
Income tax credit	**33,747**	582
Loss for the year	**(110,657)**	(1,499)
Loss and total comprehensive expenses attributable to		
– owners of the Company	**(77,460)**	(1,075)
– non-controlling interests	**(33,197)**	(424)
Loss and total comprehensive expenses for the year	**(110,657)**	(1,499)
Net cash (outflow) inflow from operating activities	**(22,044)**	8,524
Net cash inflow (outflow) from investing activities	**2,129**	(119)
Net cash inflow (outflow) from financing activities	**28,000**	(6,000)
Net cash inflow	**8,085**	2,405

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 **RMB'000**	2016 RMB'000
Non-current assets		
Property, plant and equipment	**29**	45
Investments in subsidiaries	**404,720**	58,892
Amount due from a subsidiary	**42,191**	622,094
Other receivables	**18,807**	49,727
	465,747	730,758
Current assets		
Other receivables	**57,692**	35,785
Amounts due from subsidiaries	**2,010**	45,225
Amount due from a related company	**–**	2,031
Cash and cash equivalents	**5,629**	23,683
	65,331	106,724
Current liabilities		
Other payables and accruals	**10,155**	9,669
Amount due to a subsidiary	**–**	28,984
Amounts due to related parties	**11,571**	1,635
Amounts due to directors	**320**	317
	22,046	40,605
Net current assets	**43,285**	66,119
Total assets less current liabilities	**509,032**	796,877
Capital and reserves		
Share capital	**105,965**	105,965
Reserves	**236,080**	299,804
Equity attributable to owners of the Company	**342,045**	405,769
Non-current liabilities		
Corporate bonds	**138,003**	145,024
Amount due to a subsidiary	**28,984**	246,084
	166,987	391,108
	509,032	796,877

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – CONTINUED

Movement in the Company's capital and reserves:

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital contribution RMB'000 *(Note i)*	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1st January, 2016	83,706	904,870	231,749	16,581	14,588	(884,353)	367,141
Loss for the year	–	–	–	–	–	(46,337)	(46,337)
Issue of shares	22,259	62,706	–	–	–	–	84,965
At 31st December, 2016	105,965	967,576	231,749	16,581	14,588	(930,690)	405,769
Loss for the year	–	–	–	–	–	(63,724)	(63,724)
Expiry of share options	–	–	–	–	(2,843)	2,843	–
At 31st December, 2017	105,965	967,576	231,749	16,581	11,745	(991,571)	342,045

Note:

(i) The capital contribution represents deemed contribution from (distribution to) the ultimate parent and a shareholder arising from:

(a) compensation in relation to the termination of the acquisition of Hong Ling paid on behalf of the Group without any consideration by Yue Da Enterprise, which is a fellow subsidiary of the Company and a related party as it is a subsidiary of Jiangsu Yue Da. In 2008, a settlement deed was entered with the vendor of Hong Ling and the Group agreed to pay compensation of RMB7,827,000 for termination of the acquisition. The entire amount was subsequently paid by Yue Da Enterprise for the Group without any consideration, and was recognised as a deemed capital contribution from the ultimate parent;

(b) non-current interest-free loan granted and extension of its repayment date by Yue Da Enterprise, and their early repayment. In prior periods, the difference between the nominal value and the fair value on inception date and the difference between the carrying value and the fair value on extension date of the non-current interest-free loan were recognised as deemed contribution by the ultimate parent, and the difference between the carrying value and nominal value on the date of early repayment of the non-current interest-free loan was recognised as deemed distribution to the ultimate parent;

(c) promissory notes issued and extension of their repayment dates by an affiliate of Mr. Yang Long. Mr. Yang Long had significant influence over the mining subsidiaries of the Company and therefore he and his affiliates were related parties. This relationship ceased from 1st October, 2010 onwards. Mr. Yang Long was and continues to be a shareholder of the Company. In prior periods, the difference of the nominal value and the fair value on inception date and the differences between the carrying value and the fair value on extension dates of the promissory notes were recognised as a deemed contribution by a shareholder, and the difference between the carrying value and nominal value on the date of early repayment of the promissory notes was recognised as deemed distribution to a shareholder. During the year ended 31st December, 2011, the Group early repaid a portion of the promissory notes with a nominal value of RMB16,674,000. A difference of RMB1,644,000 between the carrying value and the nominal value of this repaid portion of promissory notes at the date of early repayment has been recognised as a deemed distribution to a shareholder.

Financial Summary

	Year ended 31st December,				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Revenue	199,175	134,782	113,655	84,370	**79,477**
(Loss) profit for the year attributable to:					
Owners of the Company	(141,351)	(223,996)	(163,405)	(41,424)	**(25,736)**
Non-controlling interests	(4,104)	(12,444)	2,605	(424)	**(33,197)**
	(145,455)	(236,440)	(160,800)	(41,848)	**(58,933)**

	As at 31st December,				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Assets and liabilities					
Total assets	1,509,457	1,100,842	767,878	823,526	**1,155,466**
Total liabilities	(590,017)	(483,324)	(337,939)	(350,470)	**(741,343)**
	919,440	617,518	429,939	473,056	**414,123**
Equity attributable to owners of the Company	754,093	529,552	367,448	410,989	**385,253**
Non-controlling interests	165,347	87,966	62,491	62,067	**28,870**
	919,440	617,518	429,939	473,056	**414,123**