新礦資源有限公司

NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

2017 ANNUAL REPORT

Contents

Chairman's Statement

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Dear Shareholders,

In 2017, the Group recorded revenue of approximately RMB648.9 million, representing an increase by approximately 6.7 times as compared to the Corresponding Prior Period. Leveraging our experiences in iron ore industry, with the overall recovery of iron ore and steel prices and demand in 2017, and the support from our suppliers and the management's effort to extend the customer reach, the Group's Trading Business has been growing steadily at a fast pace in 2017, which became our primary income stream for the Reporting Period. Nevertheless, the development of the Group's businesses remains challenging and contains uncertainties.

Despite our efforts and focus on the Renewal of the Mining Permit of the Yanjiazhuang Mine, the Renewal process could not be expedited and the Mining Permit had expired in July 2017. As far as I know, the Renewal application is still in progress and, under the prevailing overwhelming environmental concerns in China, it could be foreseen that Xingye Mining and the relevant government authorities will need more time and effort to work on the Renewal options and the related assessments and approvals, so as to complete the Renewal process. Our management team endeavors to identify the possible ways and alternatives so as to give impetus to the application process and progress. Also, I have instructed them to keep pushing forward the solutions and/or alternatives in resolving the local issues surrounding the Yanjiazhuang Mine so that we can resume the Mining Businesses as soon as practicable. Nevertheless, the Group shall monitor the progress in respect of the Renewal and other permits and issues surrounding the Yanjiazhuang Mine so as to formulate a strategy thereon.

Besides, we shall continue our momentum towards the development of our new business pursuits – the iron ore Trading Business with the staunch support of our suppliers and customers. Recently, we have secured the supply of coal from coal mines in Inner Mongolia with a view to expanding our product offerings in the Trading Business. I hope the Group could gradually build up its reputation and market presence in the commodity trading and supply market through various channels, thus bringing new income stream and enhancing the profitability of the Group.

Meanwhile, we have also started some strategic moves on mining and resources related projects. The Group has set up its first business establishment in Inner Mongolia, which is well known for its affluent mining reserves and resources. Through business networks and other collaborations, the Group could further identify mining and resources projects with potentials for development and/or investment. Currently, we have entered into memorandums of understanding for two mining projects. Our management team will continue to look for and evaluate mining and resources projects with potentials in order to enrich the Group's business portfolio. I am looking forward to seeing new development on these mergers and acquisitions opportunities so as to create value and sustainable development for the Group.

Lastly, I would like to express my heartfelt gratitude to my fellow Board members, our management team and all the staff members for their dedication and commitment made for the Group. On behalf of the Board, I would like to express my sincere thanks to the Shareholders, customers, suppliers, banks and business partners for their support.

Dr. Cheng Kar Shun
Chairman

Hong Kong, 27 March 2018

Management Discussion and Analysis

Management Discussion and Analysis

Market Overview

In 2017, the PRC's gross domestic product grew by approximately 6.9% when compared to that of previous year, representing further consolidation of steady economic growth. Moreover, the world economy grew by 3% in 2017, one-third of which came from the PRC.

China's economic development is gradually shifting from high growth to high quality. The PRC government implemented the supply-side reform in the iron and steel industries, continued the measures in eliminating the over-capacity of steel production and early achieved the annual overcapacity cutting target of 50 million tonnes of steel production in 2017. This helps to push forward the optimisation and upgrade of the steel mills in the PRC. Also, the overall reduction in the production capacity and supply of steel products had driven up the commodity price significantly which, together with the impact of relatively low inventory level of iron ore in steel mills, led to the overall recovery and general increase in the price of iron ore. On the other hand, the PRC government policies in closing small mines with heavy pollution emission in recent years also led to the increase in demand for imported iron ore. The import of iron ore from overseas remains an important source to meet local steel production demand, bringing opportunities for expanding the Group's iron ore downstream Trading Business in 2017 and the future.

The pollution issue in Hebei Province remains serious and it is expected that the PRC government will keep pushing forward the industrial reform and overcapacity cutting policy and other environmental protection measures to fight against the pollution issue. The Group will keep abreast of the PRC government's policies on environmental protection, production safety as well as the mining industry development and considers the impact thereof so as to build an environmental friendly mine at the Yanjiazhuang area and to set out the direction of the Group's long-term business development.

Business Review

In 2017, the Group is principally engaged in two businesses, namely, the Trading Business of iron ore, other commodities and construction materials and the Mining Businesses at the Yanjiazhuang Mine (i.e. the Iron Concentrate Business and the Gabbro-Diabase and Stone Business). The Group strives to develop a harmonious and environmental friendly mine at the Yanjiazhuang area, and a safe workplace for the stakeholders. Apart from the businesses at the Yanjiazhuang Mine, the Group continues to explore new business and investment opportunities, including the Car-Park Business, with an aim to enhance the corporate development and strengthen its income source. During the Reporting Period, the Group continued its effort to extend the customer reach in the Trading Business, which became the primary income stream for the Reporting Period. Nevertheless, the development of the Group's businesses remained challenging and contained uncertainties in 2018 and the foreseeable future.

The overall recovery of iron ore and steel prices in 2017 as compared to prior years brought an increase in demand for overseas iron ores by steel mills and traders, which together with the management's effort to extend the customer reach, stimulated the growth in the Trading Business in 2017. As a result, the Group recorded an overall increase in revenue by about 6.7 times to approximately RMB648.9 million, as compared to the Corresponding Prior Period. Besides the Trading Business, the Group, through Xingye Mining, concentrated its management efforts to proceed with the Renewal matters with the aim to obtain the Renewal approval as appropriate in the circumstances while liaison with the local village representatives as a means to smooth out the local issues and nuisance so as to allow Xingye Mining to resume the production at the Yanjiazhuang Mine has been continued.

Management Discussion and Analysis

Business Review *(Continued)*

Trading Business

In 2017, leveraging from the Group's experience in the Iron Concentrate Business and in iron ore trading gained in 2016, the Trading Business has been growing significantly and the Group sold approximately 1.4 Mt (2016: approximately 0.1 Mt) of iron ore and recognised revenue of approximately RMB644.7 million (2016: approximately RMB79.6 million). The increase in revenue of the Trading Business was mainly due to the initial acceptance of iron ore supplied by the Group by traders and other market players and the Group's effort to secure new supplies and extend the customer reach. The overall recovery of iron ore and steel prices in 2017 led to the increase in demand for overseas iron ores by steel mills and traders, which also stimulated the growth in the Trading Business in 2017.

Following the rebound in 2016, the international iron ore market price went up to over USD90 per tonne in early 2017 and then cooled down and stabilised at about USD70 per tonne for the second half of 2017. As a result, the average selling price of the iron ore of the Group decreased by 18% as compared to that for the Corresponding Prior Period, which is in line with the aforesaid trend of the international iron ore market prices.

To secure stable supply of iron ore of quality at preferential purchase cost, in April 2017, the Group entered into the Master Purchase Agreement with SCIT, a well-known trader in the iron ore industry, pursuant to which, the Group may purchase iron ore from SCIT with reference to the agreed pricing method and procedures. The Master Purchase Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company and were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 15 June 2017.

Iron ore supplied by SCIT are mainly sourced from mainstream mines of relatively better and more stable quality. In addition to the purchases from SCIT, the Group also started the supply relationship with an iron mine in Australia in the second half of 2017 which allows the Group to earn the extra margin that would otherwise be charged by intermediary trader-suppliers by procuring iron ore from the iron mine directly. By further cooperation with SCIT and the Australian mine, the Group wishes to strengthen the mutual trust so as to secure a more stable and continual iron ore supply with them at preferential purchase cost after repeated purchases.

Apart from securing the stable supply, the Group has been putting efforts to diversify the customer base during the Reporting Period. With the support of our experienced sales team and the strong demand for iron ore, particularly imported iron ore in China, the Group has been establishing its customer base and securing sales orders with them. The major customers of the Trading Business included the trading arms of steel mills and certain State-owned enterprises. It is believed that with widened customer base, market share and reputation over time, the Group can gradually increase its business volume and seek higher margin by way of delivering iron ore of quality with more stable specifications and obtaining preferential purchase costs through repeated purchases.

Nevertheless, the Group will continue to explore and develop new business relationship with other mines, traders and market players as sources for commodity supply with an aim to further expand the Trading Business and to broaden the income spectrum.

Business Review *(Continued)*

Trading Business *(Continued)*

Having noted that the recovery of the coal price in 2017 which was driven by market dynamics in the PRC whereby (1) domestic coal supplies have been lowered as a result of the governmental measures to crackdown illegal coal mining and to tackle over-capacity; and (2) coal demand is likely to remain stable and concerns about policy impact from coal-to-gas conversion should ease, the Group has recently started the negotiation for the offtake of coal from coal mines located in Inner Mongolia. Subsequent to the Reporting Period, in March 2018, the Group entered into a coal purchase agreement (the "Coal Purchase Agreement"), pursuant to which, among others, the Group secured the supply of not less than 500,000 tonnes of coal from the designated coal distributor of the coal mining company (the "Seller"). The offtake of coal is considered to be an opportunity to diversify the product offerings in the Trading Business and bring a new income stream to the Group. This strategic development also evidenced the establishment of the Group's business presence in Inner Mongolia, which is well known for its affluent mining reserves and resources. In view of the stable demand for coal in the Northern China for industrial use, power supply and heating, and the close proximity of the coal mines to the customers, it is believed that the Group could, through the trading of coals, improve its operating and financial performances.

With the continual effort of the Group's management and through the above product diversification and business collaboration, it is believed that the Trading Business could continue to grow and bring in strong income, profit and cash flow to support the development of the Group in the long run.

Iron Concentrate Business

The Group, through Xingye Mining, owns and operates the Yanjiazhuang Mine in Hebei Province, the PRC. The Yanjiazhuang Mine is a large-scale open-pit iron ore and gabbro-diabase mine occupying a mining area of about 5.22 sq. km. Throughout the Reporting Period, the management of Xingye Mining has been working closely with various PRC government authorities in respect of the Renewal. However, the Mining Permit had expired in July 2017. The Renewal application is still in progress, and the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities as at the date of this report. Given the uncertainty inherent in the changing environmental protection requirements and policies towards heavily polluting industries, the management of Xingye Mining expects that it may need more time and effort to work on the aforesaid Renewal matters, including but not limited to liaising with the relevant government authorities about the Renewal options and the reduction and/or payment terms of remaining resources fee payable for gabbro-diabase, and obtain the required governmental approval for forestry ecology planning covering the Yanjiazhuang Mine area (the "Land Use Adjustment"), so as to complete the Renewal process as soon as practicable. Recently, the management of Xingye Mining has been in regular contact with the relevant government authorities so as to give impetus to the assessment and approval process regarding the Land Use Adjustment.

Management Discussion and Analysis

Business Review *(Continued)*

Iron Concentrate Business *(Continued)*

Apart from the Mining Permit, Xingye Mining had also made application for the renewal of a production safety permit for the Iron Concentrate Business in a prior year. Because of the tightening of the environmental protection policy by the PRC government, Xingye Mining has not yet received further information regarding the renewal of the production safety permit after its submission of required documents to the relevant authorities for approval, and the representatives from the Safety Authority completing the on-site inspection, assessment and acceptance procedures and confirming the Group's production safety qualification. The management of Xingye Mining expects that it may take longer time for the government authorities to coordinate and arrange for the issuance of the production safety permit, which is beyond the control of the Group. Upon the completion of the Renewal, Xingye Mining shall submit documents to the Safety Authority and other regulatory bodies for the update of Mining Permit information. In light of the repeated delays in the renewal of the production safety permit over the past few years, the management of Xingye Mining could not ascertain the timing for Xingye Mining to obtain the production safety permit, which has added uncertainties to the future development of the Iron Concentrate Business. The management of Xingye Mining will continue to follow up the renewal of the production safety permit as and when the Renewal is expedited.

Moreover, to cope with the resumption of the Iron Concentrate Business, in order to foster the local villagers to resolve the local matters in an agreeable manner, the management of Xingye Mining has been under discussions with governmental and village representatives and has proposed an award sharing proposal so that the villagers will be entitled to benefit from the resumption, smooth operation and performance of the Yanjiazhuang Mine in the long run. Taking into account the demands of local villagers, it is believed that, by increasing the Group's effort in explaining and transmitting such proposal among local villagers, this proposal has a higher chance of receiving general acceptance by the local villagers. Besides, the management of Xingye Mining will also continue to explore more alternatives and consider other collaboration possibilities as appropriate with the aim to bring back the operations at the Yanjiazhuang Mine.

The judgements in relation to the litigation regarding construction sum payable out of the ordinary course of business of the Group became final and binding in August 2016. During the Reporting Period, Xingye Mining agreed with the plaintiff on the settlement arrangements. As a result, certain frozen machineries and equipment and restricted bank balances of Xingye Mining have been released in December 2017.

In view of the above-mentioned circumstances, the expansion plans for the Yanjiazhuang Mine were hindered and the Group did not incur any material capital expenditure or carry out any material infrastructure development for the Iron Concentrate Business.

Business Review *(Continued)*

Gabbro-Diabase and Stone Business

Aiming to capture the business opportunities arising from the infrastructure development of highways and high-speed rails in the region, the Group built two production facilities for producing highway crushed stone and railway ballast at the Yanjiazhuang Mine in prior years.

In line with the general trend in the policy for environmental protection and emission reduction in China and with the purpose of constructing an environmental friendly mine and enhancing the utilisation rate of ore resources, the Group installed environmental protection structures at these production facilities and other sites for the production of gabbro-diabase, so as to mitigate any adverse impact on surrounding area during the production process. The Group also placed great emphasis on production safety at these production facilities, making every effort to provide staff with a safe working environment. However, attributed to the requirements for the Environmental Upgrade and local new demands and nuisance as a result of the Disaster, the Group's production at these production facilities has been suspended. As such, the management of Xingye Mining implemented certain cost-saving measures so as to reduce the operating and administrative costs of the Yanjiazhuang Mine.

During the Reporting Period, the Group recognised sales of highway crushed stone of approximately RMB1.8 million (Corresponding Prior Period: sales of railway ballast of approximately RMB4.8 million), attributed to the continual infrastructure development of highways and high-speed rails in the region. The decrease in revenue for the Reporting Period was primarily attributable to the damage to roads caused by the Disaster which limited the outward transportation for most of the time in 2017.

As mentioned in the "Iron Concentrate Business" section, the management of Xingye Mining has been working closely on the Renewal matters during the Reporting Period. The Mining Permit had expired in July 2017. Before its expiration, the Renewal application had been made by the management of Xingye Mining to the relevant government authorities in the PRC. Xingye Mining, in light of environmental protection measures in the region and overall green development direction of the PRC government, had submitted proposals to the relevant government authorities regarding various Renewal options, including but not limited to the feasibility of adjustment in mining capacity and/or reduction of resources fee in relation to gabbro-diabase. The Renewal application is still in progress, while the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities as at the date of this report.

In respect of the Mining Permit for gabbro-diabase at the Yanjiazhuang Mine, the remaining three instalments of the resources fee payable, which amounted to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement, but remained unpaid up to date. In view of the unfavourable economic and market outlook, the management of Xingye Mining has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms under the Renewal. However, the negotiations have yet to turn into any attainment.

Business Review *(Continued)*

Gabbro-Diabase and Stone Business *(Continued)*

Given the uncertainty inherent in the changing environmental protection requirements and policies towards heavily polluting industries, the management of Xingye Mining expects that it may need more time and effort to work on the aforesaid Renewal matters, including but not limited to liaising with the relevant government authorities about the Renewal options and the reduction and/or payment terms of remaining resources fee payable for gabbro-diabase, and obtain the required governmental approval for the Land Use Adjustment, so as to complete the Renewal process as soon as practicable. The management of Xingye Mining will keep working closely with various PRC government authorities in respect of the Renewal. Recently, the management of Xingye Mining has been in regular contact with the relevant government authorities so as to give impetus to the assessment and approval process regarding the Land Use Adjustment.

Apart from the Mining Permit, Xingye Mining had also made application for a production safety permit for the Gabbro-Diabase Business in a prior year. Because of the tightening of the environmental protection policy by the PRC government, Xingye Mining has not yet received further information regarding the issue of the production safety permit after its submission of required documents to the relevant authorities for approval, and the representatives from the Safety Authority completing the on-site inspection, assessment and acceptance procedures and confirming the Group's production safety qualification. The management of Xingye Mining expects that it may take longer time for the government authorities to coordinate and arrange for the issuance of the production safety permit, which is beyond the control of the Group. Upon the completion of the Renewal, Xingye Mining shall submit documents to the Safety Authority and other regulatory bodies for the update of Mining Permit information. In light of the repeated delays in obtaining the production safety permit over the past few years, the management of Xingye Mining could not ascertain the timing for Xingye Mining to obtain the production safety permit, which has added uncertainties to the future development of the Gabbro-Diabase and Stone Business. The management of Xingye Mining will continue to follow up the issue of the production safety permit as and when the Renewal is expedited.

Since the late 2017, Xingye Mining has been pushing forward the remaining outstanding works on the Environmental Upgrade with an aim to attain the requirements for the Environmental Upgrade and shall then arrange for an on-site inspection by the EPA of the environmental protection measures at the Yanjiazhuang Mine. Also, the management of Xingye Mining has been actively addressing the demands in relation to the Disaster, including the dredging of reservoirs, repair or construction of retaining walls and dams near the local villages and repairs of damaged roads as a result of the Disaster, with the village representatives. It is believed that, by satisfying these demands in an agreeable manner, the village representatives will focus on the negotiation with the Group in relation to the award sharing proposal put forward by the Group with a view to achieving consensus and swift settlement of the disputes and other issues surrounding the Yanjiazhuang Mine.

In view of the above-mentioned circumstances, except for the settlements of construction works on the Environmental Upgrade, the Group did not incur any material capital expenditure or carry out any material infrastructure development for the Gabbro-Diabase and Stone Business during the Reporting Period.

Business Review *(Continued)*

Other business

Car-Park Business

The Group also engaged in operating car-parks in a commercial building in the Hong Kong Island since 2016. The Group has been pursuing opportunities for the operating rights or management contracts for car-parks by way of tendering or business negotiation. However, due to severe competition among car-parks operation and limited scale of operation, the Group failed to expand the Car-Park Business during 2017 and the Car-Park Business has been operating at a segmental loss. The Group will continue to evaluate and identify suitable opportunities in Hong Kong in order to improve the profitability of the Car-Park Business.

Other Mining Projects

In 2017, the Group entered into several memorandums of understanding in connection with the potential investments in a metal mine in Inner Mongolia, the PRC and a gold mine in Suriname, South America. For further discussion on these projects, please refer to the section headed "Significant Investments, Acquisitions and Disposals".

The Group will keep exploring these new mining projects and other investment and/or development opportunities with an aim to bring new business development and growth to the Group's business portfolio and to create value for the Shareholders in the long run.

Capital Expenditure and Infrastructure Development

During the Reporting Period, the Group incurred capital expenditure amounting to approximately RMB1.1 million, mainly represented the settlement of construction works in relation to the Environmental Upgrade.

Gabbro-Diabase and Stone Business

During the Reporting Period, the Group incurred settlement of construction works in relation to the Environmental Upgrade. Capital expenditure of the Gabbro-Diabase and Stone Business during the years ended 31 December 2017 and 2016 are indicated below:

	2017 **RMB'million**	2016 RMB'million
Construction costs	**1.1**	1.8
Equipment and others	**–**	0.1
Total	**1.1**	1.9

Capital Expenditure and Infrastructure Development *(Continued)*

Gabbro-Diabase and Stone Business *(Continued)*

In last year, Xingye Mining received a notice from the environmental protection authority (the "EPA") requiring it to carry out the Environmental Upgrade at the Yanjiazhuang Mine. Since the late 2017, Xingye Mining has been pushing forward the remaining outstanding works on the Environmental Upgrade with an aim to attain the requirements for the Environmental Upgrade and shall then arrange for an on-site inspection by the EPA of the environmental protection measures at the Yanjiazhuang Mine. As such, there was no new contract and commitment entered into by the Group for the Gabbro-Diabase and Stone Business including those related to infrastructure projects (road and railway), subcontracting agreements and purchase of equipment during the Reporting Period (2016: approximately RMB2.1 million).

Iron Concentrate Business

Due to the land expropriation disputes and the disturbances around, together with local issues and nuisance brought by the Disaster and expiration of the Mining Permit thereafter, the remaining construction of Phase Two and Phase Three expansion plans were suspended during the Reporting Period. As such, the Group did not incur any material capital expenditure or carry out any material infrastructure development for the Iron Concentrate Business during the years ended 31 December 2017 and 2016.

There was no new contract and commitment entered into by the Group for the Iron Concentrate Business including those related to infrastructure projects (road and railway), subcontracting agreements and purchases of equipment during the years ended 31 December 2017 and 2016. It is expected that when disputes and disturbances regarding the iron concentrate production at the Yanjiazhuang Mine are smoothed out and after the completion of the Renewal, Xingye Mining will further proceed with the relevant constructions so as to support the development of the Iron Concentrate Business as and when appropriate.

Exploration Activities

During the Reporting Period, the Group did not have any exploration, development or production activity nor incur any expense or capital expenditure in any such activity at the Yanjiazhuang Mine.

Management Discussion and Analysis

Production Costs of the Yanjiazhuang Mine

Gabbro-Diabase and Stone Business

The Group's production costs for the Gabbro-Diabase and Stone Business amounted to approximately RMB1.4 million as recognised in the cost of sales during the Reporting Period (2016: approximately RMB4.5 million).

The following table presents, for the periods indicated, the Group's production costs for the Gabbro-Diabase and Stone Business:

	2017 **RMB'000**	2016 RMB'000
Processing costs		
– Subcontracting fees	**813**	3,220
Overheads		
– Depreciation and amortisation	**173**	265
– Hauling	**349**	899
– Staff costs	**51**	49
– Others	**70**	23
	643	1,236
Total production costs for the Gabbro-Diabase and Stone Business	**1,456**	4,456

Iron Concentrate Business

During the years ended 31 December 2017 and 2016, the Group's iron concentrate production had not yet resumed and therefore no production cost of iron concentrates was recorded.

Iron Ore Resource and Reserve Estimates

As at 31 December 2017, details of the Group's mineral resource and ore reserve estimates at the Yanjiazhuang Mine under the JORC Code were summarised as below:

Summary of mineral resources*

	Percentage of ownership	JORC Mineral Resource Category	As at 31.12.2017 (Mt)	Average iron grade TFe (%)	As at 31.12.2016 (Mt)	Average iron grade TFe (%)
Yanjiazhuang Mine	99%	Measured	**99.56**	**22.53**	99.56	22.53
		Indicated	**211.96**	**21.03**	211.96	21.03
		Total	**311.52**	**21.51**	311.52	21.51

Summary of ore reserves*

	Percentage of ownership	JORC Ore Reserve Category	As at 31.12.2017 (Mt)	Average iron grade TFe (%)	As at 31.12.2016 (Mt)	Average iron grade TFe (%)
Yanjiazhuang Mine	99%	Proved	**85.56**	**21.39**	85.56	21.39
		Probable	**174.21**	**19.97**	174.21	19.97
		Total	**259.77**	**20.43**	259.77	20.43

* *Please refer to the independent technical report in the Company's prospectus dated 21 June 2011 for details of the assumptions and parameters used to calculate these iron ore resource and reserve estimates and quality of iron grade.*

As previously mentioned, the Renewal application is still in progress. Given the uncertainty inherent in the changing environmental protection requirements and policies towards heavily polluting industries, the management of Xingye Mining expects that it may need more time and effort to work on the aforesaid Renewal matters, including but not limited to liaising with the relevant government authorities about the Renewal options and the reduction and/or payment terms of remaining resources fee payable for gabbro-diabase and obtain the required governmental approval for the Land Use Adjustment, so as to complete the Renewal process as soon as practicable. Further discussion of the Renewal are set out in the "Business Review" section.

Gabbro-Diabase Resource Estimates

The Mining Permit had expired in July 2017 and the production of gabbro-diabase at the Yanjiazhuang Mine was suspended during the Reporting Period. The gabbro-diabase resources at the Yanjiazhuang Mine were estimated at approximately 207 million cubic metres and categorised as an Indicated Resource under the JORC Code as at 31 December 2017 and 2016.

As previously mentioned, the Renewal application is still in progress. In addition, in respect of the Mining Permit for gabbro-diabase at the Yanjiazhuang Mine, the remaining three instalments of the resources fee payable, which amounts to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement, but remained unpaid up to date. In view of the unfavourable economic and market outlook, the management of Xingye Mining has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms under the Renewal. However, the negotiations have yet to turn into any attainment.

Given the uncertainty inherent in the changing environmental protection requirements and policies towards heavily polluting industries, the management of Xingye Mining expects that it may need more time and effort to work on the aforesaid Renewal matters, including but not limited to liaising with the relevant government authorities about the Renewal options, and the reduction and/or payment terms of remaining resources fee payable for gabbro-diabase and obtain the required governmental approval for the Land Use Adjustment, so as to complete the Renewal process as soon as practicable. Further discussion of the Renewal are set out in the “Business Review” section.

Production Safety and Environmental Protection

The Group has been placing great emphasis on production safety and environmental protection. A team of trained staff are responsible for production safety and management at the Yanjiazhuang Mine. This team has been consistently promoting safety standards and strengthening environmental protection measures so as to raise the Group’s sense of social responsibility and safety awareness. During the Reporting Period, no significant safety-related incidents were recorded in the operations at the Yanjiazhuang Mine.

Considering the haze weather in Mainland China, especially in Beijing and Hebei Province, it is anticipated that the PRC authorities are prompted to further tighten the relevant environmental policies towards heavily polluting industries, such as mining. To cope with the potential impact of these policies on the businesses, the Group will keep abreast of the latest regulatory requirements and changes, and adopt appropriate environmental and other measures from time to time to facilitate the resumption of operation and production at Yanjiazhuang Mine.

As mentioned earlier, Xingye Mining has made applications for the renewal of a production safety permit of the Iron Concentrate Business and the grant of a production safety permit of the Gabbro-Diabase Business in a prior year. In light of the repeated delays on such matters over the past few years, the renewal or issuance of the production safety permits are beyond the control of the Group, and the management of Xingye Mining will continue to follow up on the progresses.

Moreover, in last year, Xingye Mining received a notice from the EPA requiring it to carry out the Environmental Upgrade at the Yanjiazhuang Mine. Although the management of Xingye Mining has been developing a preliminary plan for the Environmental Upgrade, inclement weather and the Disaster in Hebei Province, the PRC, had caused the originally planned Environmental Upgrade to be postponed. Since the late 2017, Xingye Mining has been pushing forward the remaining outstanding works on the Environmental Upgrade with an aim to attain the requirements for the Environmental Upgrade and shall then arrange for an on-site inspection by the EPA of the environmental protection measures at the Yanjiazhuang Mine.

Management Discussion and Analysis

Dividend

The Board does not recommend the payment of a dividend in respect of FY 2017 (2016: Nil).

Financial Review

During FY 2017, the Group recognised revenue of approximately RMB648.9 million (2016: approximately RMB84.6 million), increased by about 6.7 times. The significant increase in revenue is mainly attributable to the revenue growth from the Trading Business. During the Reporting Period, the volume of iron ore traded under the Trading Business increased by approximately 1.3 Mt and therefore the revenue increased greatly by 7.1 times to approximately RMB644.7 million during the Reporting Period, as compared to approximately RMB79.6 million for the Corresponding Prior Period.

In addition to the large increase in revenue, the Group recorded a decrease in net loss for FY 2017, as compared to the Corresponding Prior Period. The net loss for FY 2017 was approximately RMB47.4 million (2016: approximately RMB543.5 million). The loss attributable to owners of the Company amounted to approximately RMB46.5 million (2016: approximately RMB538.1 million). The basic and diluted loss per share for the Reporting Period was approximately RMB1.16 cents (2016: approximately RMB13.45 cents). The overall decrease in the Group's net loss was attributed to the absence of impairment provision of non-current assets and prepayments during the Reporting Period (2016: approximately RMB474.3 million and RMB13.0 million respectively).

Disregard the loss effect of impairment provision in FY 2016, the Group's net loss for FY 2017 decreased by approximately RMB8.8 million (or about 16%), which is mainly attributed to (i) the improvement in operating results as reflected in the increase in gross profit margin from the Trading Business and the rental income earned from the short-term leasing of moveable equipment; (ii) the resolution of certain local issues at the Yanjiazhuang Mine, including the settlement of litigation which led to the write-back of over-accrual of interest and other costs during the Reporting Period, and the recovery of insurance compensation by the Group in connection with the Disaster; and (iii) the decrease in administrative expenses as a result of the reduction in depreciation and amortisation of non-current assets of the Yanjiazhuang Mine (after the impairment provision made in last year) and inventory provision (after the Disaster).

Unfortunately, the unforeseen weakening of USD against RMB during 2017 leading to the recognition of net foreign exchange losses (net foreign exchange gains recognised for the Corresponding Prior Period), the decrease in bank interest income as a result of the change in time deposit mix to cope with the business development of the Group, and the increase in estimated possible payments that may accrue on the outstanding gabbro-diabase resources fee payable have offset part of the above loss reduction effect.

Financial Review *(Continued)*

Revenue, Gross Profit and Gross Profit Margin

During the Reporting Period, the Group recognised revenue of approximately RMB648.9 million (2016: approximately RMB84.6 million), increased by about 6.7 times. The significant increase in revenue is mainly attributable to the revenue growth from the Trading Business. During the Reporting Period, the volume of iron ore traded under the Trading Business increased by approximately 1.3 Mt and therefore the revenue increased greatly by 7.1 times to approximately RMB644.7 million during the Reporting Period, as compared to approximately RMB79.6 million for the Corresponding Prior Period. Following the rebound in 2016, the international iron ore market price went up to over USD90 per tonne in early 2017 and then cooled down and stabilised at about USD70 per tonne for the second half of 2017. As a result, the average selling price of the iron ore of the Group decreased by 18% as compared to that for the Corresponding Prior Period, which is in line with the aforesaid trend of the international iron ore market prices.

The Group recorded an overall increase in gross profit to approximately RMB1.4 million (2016: approximately RMB0.4 million) but a decrease in gross profit margin to 0.2% during the Reporting Period (2016: 0.5%). During the Reporting Period, the Car-Park Business faced keen competition and it has adopted a relatively low parking fares to compete for tenants, thus recognised a larger gross loss of approximately RMB0.5 million leading to the overall gross profit margin of the Group to decrease (2016: gross loss of approximately RMB0.1 million from the Car-Park Business).

Cost of Sales

The Group's cost of sales for the Reporting Period amounted to approximately RMB647.5 million (2016: approximately RMB84.2 million), increased by about 6.7 times. The increase in cost of sales was also attributable to the surge in trading volume of iron ore from the Trading Business, which increased by 7.1 times to approximately RMB643.1 million during the Reporting Period, as compared to approximately RMB79.5 million for the Corresponding Prior Period.

Being an international commodity, iron ore prices have been subject to market fluctuation from time to time. Instead of engaging in price speculation by stocking up iron ore or entering into future contracts with its customers, the Group takes a prudent approach by securing the supply of the iron ore and confirming sales orders with the customers in short time intervals. This allows the Group to achieve a faster inventory turnover and therefore the increase in cost of sales of the Trading Business largely follows the market trends and the Group's sales revenue.

Other Income and Gains

Other income and gains of approximately RMB4.7 million (2016: Nil) mainly represented the insurance compensation received by the Group in connection with the Disaster of approximately RMB2.1 million (2016: Nil) and rental income earned from short-term leasing of movable equipment of approximately RMB1.7 million (2016: Nil).

Financial Review *(Continued)*

Administrative Expenses

Administrative expenses decreased by 20.7% to approximately RMB35.6 million during the Reporting Period, as compared to approximately RMB44.9 million for the Corresponding Prior Period. The decrease was mainly due to the decrease in depreciation and amortisation charges (after the impairment provision made in last year) and write-down of inventories to net realisable value (after the Disaster) by approximately RMB5.6 million and RMB4.1 million respectively during the Reporting Period.

Finance (Expense)/Income

The Group recorded finance expense of approximately RMB9.7 million during the Reporting Period, as compared to the finance income of approximately RMB4.4 million in FY 2016. The decrease was mainly due to the recognition of net foreign exchange losses of approximately RMB10.0 million attributable to the unforeseen weakening of USD against RMB during the Reporting Period (net foreign exchange gains of approximately RMB0.9 million for the Corresponding Prior Period) and the reduction in bank interest income earned by approximately RMB5.7 million as a result of the change in time deposit mix to cope with business development of the Group.

Other Expenses

Other expenses decreased by 49.7% to approximately RMB7.7 million during the Reporting Period, as compared to approximately RMB15.3 million for the Corresponding Prior Period. Other expenses mainly represented the estimated possible payments on the outstanding gabbro-diabase resources fee payable of approximately RMB12.2 million (2016: approximately RMB8.7 million), which is partly netted off by the write-back of over-accrual for interest and other costs in relation to the litigation as a result of the agreed settlement with the plaintiff by Xingye Mining during the Reporting Period of approximately RMB4.8 million (2016: accrual of approximately RMB4.8 million).

Income Tax Expense

The income tax expense represented the current year provision for the Hong Kong profits tax on the Group's Trading Business of approximately RMB0.2 million (2016: Nil). No income tax was recognised in the PRC as the Group made losses in the PRC in both years.

Also, it is considered to be premature to recognise the deferred tax assets for tax losses arising in the PRC and Hong Kong as at 31 December 2017. Further details about the Group's income tax are set out in note 9 to the consolidated financial statements.

Property, Plant and Equipment

As at 31 December 2017, the Group's property, plant and equipment had a net book value of approximately RMB266.2 million (2016: approximately RMB270.3 million), representing mainly the mining and related assets at the Yanjiazhuang Mine and accounted for approximately 34.4% (2016: approximately 35.8%) of total assets of the Group. Further details about the Group's property, plant and equipment are set out in note 12 to the consolidated financial statements.

Financial Review *(Continued)*

Trade and Bills Receivables

The Group's trade and bills receivables increased significantly from approximately RMB38.3 million as at 31 December 2016 to approximately RMB77.3 million as at 31 December 2017, as a result of the bills receivable arisen from the Trading Business during the Reporting Period.

Prepayments, Deposits and Other Receivables

As at 31 December 2017, the Group's balance of prepayments, deposits and other receivables increased by 52.1%, from approximately RMB32.8 million as at 31 December 2016 to approximately RMB49.9 million as at 31 December 2017. The increase in prepayments, deposits and other receivables was mainly attributed to the increase in advances paid to suppliers of the Trading Business for purchase of iron ore by approximately RMB12.4 million.

Trade and Bills Payables

The Group's trade and bills payables increased significantly from approximately RMB2.7 million as at 31 December 2016 to approximately RMB79.1 million as at 31 December 2017, as a result of the expansion and the increase in payables to suppliers of the Trading Business during the Reporting Period.

Other Payables and Accruals

As at 31 December 2017, the Group's balance of other payables and accruals was approximately RMB92.2 million (2016: approximately RMB87.8 million). The increase in balance by approximately 5.0% were mainly attributable to (i) the increase in accrual for the estimated possible payments on the outstanding gabbro-diabase resources fee payable by approximately RMB12.2 million for 2017 and (ii) trade deposits received from customers of the Trading Business of approximately RMB12.7 million (2016: Nil), which was partly netted off by the decrease in payables from the settlement of construction fees payable and write-back of over-accrual for interest and other costs of approximately RMB14.2 million and RMB4.8 million respectively during the Reporting Period in relation to the litigation as a result of the agreed settlement with the plaintiff by Xingye Mining.

In addition, in respect of the Mining Permit for gabbro-diabase at the Yanjiazhuang Mine, the remaining three instalments of the resources fee payable, which amounts to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement, but remained unpaid up to date, further details of which are set out in the "Business Review" section and note 20 to the consolidated financial statements.

Liquidity and Financial Resources

As at 31 December 2017, the Group's cash and cash equivalents (excluding restricted bank balances and time deposits) amounted to approximately RMB164.3 million (2016: approximately RMB401.4 million), of which 3.3% are denominated in RMB, 4.9% are denominated in HKD and 91.8% are denominated in USD (2016: 25.7% are denominated in RMB, 58.2% are denominated in HKD and 16.1% are denominated in USD), representing 21.2% (2016: 53.1%) of total assets of the Group. The significant decrease in cash and cash equivalents was attributed to the utilisation of time deposits of HK$250.0 million, in aggregate, (equivalent to approximately RMB209.0 million as at 31 December 2017) during the Reporting Period as securities for the Group's bank borrowing so as to obtain a lower borrowing interest rate from the bank. The Group would also negotiate for other new trade finance facilities with the banks so as to support the further development of the Trading Business in future.

The Group's net cash position (calculated as total cash and bank balances less total borrowings) was approximately RMB164.6 million as at 31 December 2017 (2016: approximately RMB179.2 million), while the Group's liquidity ratio (calculated as current assets divided by current liabilities) was approximately 1.3 as at 31 December 2017 (2016: approximately 1.5), both of which are considered to be steady and strong.

During the Reporting Period, the Group paid approximately RMB15.1 million for the settlement of the Group's addition of items of property, plant and equipment, mainly related to the settlement of construction fees payables (2016: approximately RMB3.8 million).

Capital Structure and Gearing Ratio

The Group calculates its net gearing ratio by dividing its net debt position (calculated as total borrowings less total cash and bank balances) by its total equity.

As at 31 December 2017, the total equity of the Group amounted to approximately RMB386.1 million (2016: approximately RMB433.5 million).

As the Group had net cash position of approximately RMB164.6 million and RMB179.2 million as at 31 December 2017 and 2016, respectively, it is therefore not considered to have any net gearing as at these dates.

Loans, Indebtedness and Maturity Date

As at 31 December 2017, the Group had HKD-denominated bank borrowing amounted to HK$250.0 million (equivalent to approximately RMB209.0 million) (2016: HK$250.0 million (equivalent to approximately RMB223.6 million)). The Group's bank borrowing as at 31 December 2017 is secured by time deposits of HK$250.0 million, in aggregate, (equivalent to approximately RMB209.0 million) and carries interest at floating rate. The Group's bank borrowing as at 31 December 2016 was unsecured and the maturity of bank borrowing was subject to the bank's overriding right of repayment on demand.

As at 31 December 2017, no property, plant and equipment or leasehold land or land use rights were pledged for the Group's bank borrowing.

Pledge of Assets

As at 31 December 2017, the time deposits of HK$250.0 million, in aggregate, (equivalent to approximately RMB209.0 million) (2016: Nil) have been utilised as securities for the Group's bank borrowing.

Funding and Treasury Policy

The Group has a funding and treasury policy to monitor its funding requirements and perform ongoing liquidity review. This approach takes into consideration the maturity of its financial instruments, financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowing and trade finance and treasury facilities.

Exposure to Fluctuations in Exchange Rates

The Group's functional currency is RMB as the assets and operations at the Yanjiazhuang Mine are primarily located in the PRC with transactions settled in RMB. Since the second half of 2016, the Group has commenced the Trading Business and the Car-Park Business, with transactions settled in USD and HKD respectively.

During FY 2017, the Group has transactional currency exposures. Such exposures arose from the sales and purchases of products and other transactions of operating units in currencies other than the Group's functional currencies. Approximately 99% (2016: approximately 94%) and 99% (2016: approximately 98%) of the Group's sales and purchases, respectively during the Reporting Period, and approximately 40% of the Group's net assets as at 31 December 2017 (2016: approximately 25%) were denominated in foreign currency (the USD). Currently, the Group does not have a foreign currency hedging policy. The unforeseen strengthening of RMB against USD and HKD in FY 2017 led to the recognition of net foreign exchange losses of approximately RMB10.0 million during the Reporting Period (2016: net foreign exchange gains of approximately RMB0.9 million).

In view of the diversification of the Group's businesses and products, the management will closely observe the movements in RMB exchange rates and market interest rates and consider any rearrangement of its sources of financing and deposit portfolio where appropriate.

Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments, the "Iron Concentrate Business" segment, "Gabbro-Diabase and Stone Business" segment, "Trading Business" segment and "Car-Park Business" segment. An analysis of the Group's revenue by operating segment is as follows:

	2017 RMB'000	2016 RMB'000
Trading Business	**644,730**	79,641
Iron Concentrate Business (Note)	**–**	–
Gabbro-Diabase and Stone Business	**1,762**	4,753
Car-Park Business	**2,398**	190
	648,890	84,584

Note: No revenue had been recorded for the "Iron Concentrate Business" segment for the Reporting Period (2016: Nil) as the Group had yet to resume the trial production of the Iron Concentrate Business at the Yanjiazhuang Mine during the Reporting Period as affected by Renewal matters, disputes over land expropriation and disturbances, together with new local issues and nuisance brought by the Disaster.

Furthermore, the majority of the Group's non-current assets are located in the PRC in both years. An analysis of the Group's revenue from the external customers by geographical segment is as follows:

	2017 RMB'000	2016 RMB'000
Hong Kong	**439,836**	190
North America	**86,906**	–
Mainland China	**79,225**	46,070
Asia	**42,923**	38,324
	648,890	84,584

Further details of the Group's segment information and segment results are set out in note 4 to the consolidated financial statements, and discussions on segment information and business performance of the Group are set out in the sections headed "Market Overview" and "Business Review".

Capital Commitments

The Group's commitments for capital expenditure for property, plant and equipment and capital contributions to joint venture upon its establishment as at 31 December 2017 were approximately RMB38.6 million and RMB1.5 million respectively (2016: approximately RMB39.3 million and Nil respectively). The sources of funding for capital expenditure include unutilised net proceeds from the IPO of the Company and internally generated funds.

Events after the Reporting Period

In March 2018, a wholly-owned subsidiary of the Group (the "PRC Subsidiary") entered into the Coal Purchase Agreement for the supply of coal, pursuant to which, among others, the PRC Subsidiary secured the supply of not less than 500,000 tonnes of coal from the Seller and shall pay to the Seller a sum of RMB50 million as the deposit for the coal supply. Based on the anticipated market demands from time to time, the PRC Subsidiary and the Seller shall enter into monthly purchase contracts setting out the quantity of coal to be purchased by the PRC Subsidiary for the specified period. The Coal Purchase Agreement shall have a term commencing from the date thereof and ending on 31 December 2018, and may be renewed thereafter by mutual agreement of the PRC Subsidiary and the Seller.

Significant Investments, Acquisitions and Disposals

During the Reporting Period, the Group had no significant investments, acquisitions or disposals.

The Group has been exploring new mining and other investment and/or development opportunities with an aim to bring new business development and growth to the Group's business portfolio. In July 2017, the Group entered into two memorandums of understanding in relation to the exploration right for a metal mine in Inner Mongolia and the exploitation right for a gold mine in Suriname. After entering into the memorandums, the Group engages its advisors and mining experts with a view to obtain better understanding of these mining projects and continues to negotiate for the possible investment and/or collaboration. The Group has extended the exclusivity period for these mining projects in December 2017. Further details of these projects are set out in the announcements of the Company dated 21 July 2017, 24 July 2017, 27 December 2017 and 29 December 2017 respectively.

In addition, the Group entered into an agreement (the "JV Agreement") in October 2017 in relation to the formation of a Sino-foreign equity joint venture (the "JV"), with a view to carrying out business activities and operations aiming to make contributions to environmental restoration and greening services in the PRC, further details of which are set out in the announcement of the Company dated 30 October 2017. The parties to the JV Agreement shall contribute to the proposed registered capital of the JV of RMB10 million in proportion to their respective equity interests in the JV. The Group intends to fund its capital contribution to the JV of RMB1.5 million by internal resources. In the JV, the Group will be responsible for, among others, the provision of mining technology, project management and related services covering the recovery of residual coal and mine reclamation on environmental restoration and greening projects. It is believed that the formation of the JV will offer an opportunity for the Group to diversify its business portfolio and gain a foothold in such environmental friendly mining-related industry. The entering into of the JV Agreement and the investment in the JV are in line with the Group's business strategy, and are expected to create momentum for further growth.

The Group will continue to explore, evaluate and may proceed with these and other mining and/or investment opportunities, as appropriate, so as to create value for the Shareholders in the long run.

Employees and Remuneration Policies

As at 31 December 2017, the Group had a total of 80 (2016: 136) employees in Hong Kong and Mainland China (excluding workers under the reward scheme based on production outputs and workers of the independent third-party contractors).

Hit by a number of unfavorable factors including the Disaster in 2016 and the Renewal matters, the Iron Concentrate Business continued to be suspended and the Environmental Upgrade was postponed as well. The management of Xingye Mining implemented certain cost-saving measures, and informed local employees of production, operation and sales functions to suspend from attending work on a temporary basis until further notice so as to reduce the operating and administrative costs of Xingye Mining. Certain employees left the Group upon the expiry of their contracts or for other reasons. As a result, the overall number of full-time employees decreased during the Reporting Period. The management of Xingye Mining will review the situation and get the appropriate employees back to work in an orderly and timely manner.

The Group formulates its human resources allocation and recruitment plans based on its development strategies. The remuneration packages of the employees are structured by reference to job nature (including geographical locations) and prevailing market conditions. The remuneration policy of the Group is subject to periodic review, and year-end bonuses and share options are available to reward employees in line with their individual performances and industry practice. In addition, the Group encourages its employees to receive training that is suitable to their job nature and caters to the needs of obtaining certain professional qualifications, such as seminars and training for different professional knowledge. Appropriate training programmes and/or seminar subsidies are also offered to ensure continuous staff training and development.

The emoluments of the Directors, comprise Director's fee, annual salary package, discretionary bonus and share options, are reviewed and determined by the Board based on the recommendation from the Remuneration Committee with reference to the Company's performance, his duties and responsibilities with the Company, and the prevailing market conditions. The Director's remuneration will be subject to annual review by the Remuneration Committee and the Board with the authorisation granted by the Shareholders at the AGM.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the chairman of the Board about these recommendations on remuneration policy and structure and remuneration packages. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

Use of Net Proceeds

The net proceeds raised from the IPO of the Company in 2011 amounted to approximately RMB1,052 million. As at 31 December 2017, the application of the net proceeds raised from the IPO of the Company (the "Net Proceeds") is set out as below.

		Net Proceeds from the IPO Utilised			Unutilised
	Revised use of proceeds* RMB' million	At beginning of the Reporting Period RMB' million	During the Reporting Period RMB' million	At end of the Reporting Period RMB' million	At end of the Reporting Period RMB' million
Development of the Iron Concentrate Business at Yanjiazhuang Mine, the Securities and Treasury Investment Business, the Debt Investment and Financing Business and the Trading Business (Note)	463	248	215	463	–
Development of the gabbro-diabase business	173	94	1	95	78
Repayment of shareholders' loans	105	105	–	105	–
Working capital	32	32	–	32	–
General working capital, acquisitions, financial management and other new business	279	279	–	279	–
	1,052	758	216	974	78

Note: These IPO proceeds were mainly utilised for the purchases made for the purpose of the Trading Business during the Reporting Period.

* In 2016, the Company approved the reallocation and future application of the above unutilised Net Proceeds.

Further Change in Use of Net Proceeds

As disclosed in the section headed "Events after the Reporting Period", in March 2018, the PRC Subsidiary entered into the Coal Purchase Agreement for the supply of coal, pursuant to which, among others, the PRC Subsidiary shall pay to the Seller a sum of RMB50 million as the deposit for the coal supply.

In view of the latest development and status of the operation of the Group and the aforesaid new business pursuit, the Board has resolved to further change the use of the unutilised Net Proceeds of approximately RMB78 million as at the date of this report which had been designated for use in the development of the gabbro-diabase business (the "Unutilised Net Proceeds"), such that they will also be deployed for the Trading Business and as general working capital. It is envisaged that the Unutilised Net Proceeds may, among others, be used for the payment of the deposit and/or the purchase price for the purchases of coal under the Coal Purchase Agreement and/or iron ore. The Board believes that such further change in use of the Unutilised Net Proceeds will enable the Group to continue to grow and explore other business pursuits with a view to bringing in new income streams while seeking to achieve full resumption of the Gabbro-Diabase and Stone Business, such that the Group can achieve continual growth and improvement in its performance and results of operations.

Management Discussion and Analysis

Group's Profile and Strategies

The Group is principally engaged in two businesses, namely, the Trading Business of iron ore, other commodities and construction materials and the Mining Businesses carried at the Yanjiazhuang Mine (i.e. the Iron Concentrate Business and the Gabbro-Diabase and Stone Business), while it continues to explore new business and investment opportunities, including the Car-Park Business, with an aim to enhance its income stream and cash flows. The Group owns and operates the Yanjiazhuang Mine, an open-pit iron and gabbro-diabase mine located in Hebei Province, the PRC. As a socially responsible enterprise, we endeavor to develop the mine in a harmony and environmental-friendly manner and focus on creating a safe working space for the stakeholders. With the strategic location arising from the close proximity to steel mills and infrastructure development, the Yanjiazhuang Mine is well positioned to capture the upcoming market opportunities. However, the Mining Permit of the Yanjiazhuang Mine had expired in July 2017 and the Group has been working closely with various PRC government authorities in respect of the Renewal. The Group is also working towards resolving the local issues or satisfying the demands surrounding the Yanjiazhuang Mine in an agreeable manner so as to bring back the Mining Businesses as early as practicable.

To enrich the Group's horizon geographically and derive new income stream, we have expanded into the downstream commodity Trading Business and kept looking for opportunities to diversify the product offerings to other commodities. We aim to grow the Trading Business on a steady-fast manner by tapping our business network in the sector so that we may be able to acquire market share and gain benefits from an economy of scale, therefore creating return for the Group and its Shareholders as a whole in the long run. In March 2018, the Group has successfully secured the supply of coal of not less than 500,000 tonnes of coal from coal mines in Inner Mongolia. The offtake of coal is considered to be an opportunity to diversify the product offerings in the Trading Business and bring a new income stream to the Group. This strategic development also evidenced the establishment of the Group's business presence in Inner Mongolia, which is well known for its affluent mining reserves and resources.

Looking ahead, the Group shall monitor the progress in respect of the permits for the Yanjiazhuang Mine so as to formulate a strategy thereon.

Apart from the Yanjiazhuang Mine operations, the Group has been actively searching for mining reserves and resources with potentials around the world, and evaluating mergers and acquisitions and/or co-development opportunities of mining projects. Currently, the Group has mining projects that are under consideration and negotiations. In order to achieve sustainable development, and to enhance its business performance and income stream, the Group will continue to identify, evaluate and negotiate for new mining projects with potentials.

Management Discussion and Analysis

Outlook and Future Plans

The Group's business development remains challenging and contains uncertainties in 2018 and the foreseeable future.

Firstly, the Mining Permit had expired in July 2017. The management of Xingye Mining shall continue to work closely with various PRC government authorities in respect of the Renewal, including but not limited to obtaining the required governmental approval for the Land Use Adjustment and reaching an amicable settlement of remaining resources fee payable as soon as practicable. However, it can be expected that it may need more time and effort to complete the Renewal process given the uncertainty inherent in the changing environmental protection requirements and policies towards heavily polluting industries, which added greater uncertainties to the future development of the Group at the Yanjiazhuang Mine.

Secondly, the Group has been identifying and evaluating various mining and other business opportunities with an aim to create momentum and drive for value to the Group in the foreseeable future. However, the project progress depends on the negotiations, the project-specific circumstances and future changes in market and economic conditions. The Group endeavours to capture those prosperous investment opportunities as and when they arises so as to develop into new business operations and bring in new income stream to the Group.

Last but not least, the Group shall continue to develop and grow the Trading Business in 2018. The Group has successfully commenced the iron ore trading in late 2016 and recently secured the supply of coal from coal mines in Inner Mongolia in March 2018. The Group shall focus its Trading Business on widening the customer base and market share and building its reputation over time, therefore it can gradually increase its business volume and seek for higher margin. Also, in view of the stable demand for coal in Northern China for industrial use, power supply and heating, and the close proximity of the coal mines to the customers, it is believed that the Group could, through the newly established trading of coals, improve its operating and financial performances.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for FY 2017.

Corporate Governance Practices

The Board strongly believes that corporate governance is an integral part of the Company's mission in our pursuit of growth and value creation. The Board strives to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the interest of the Shareholders. During FY 2017, we adopted corporate governance principles that emphasise a quality Board, effective risk management and internal control systems, stringent disclosure practices, transparency and complete accountability towards all the stakeholders of the Company.

As part of the Company's unwavering commitment to high standards of corporate governance, it has adopted all applicable Code Provisions and, where appropriate, Recommended Best Practices of the CG Code as set out in the Appendix 14 of the Listing Rules throughout the Reporting Period. So far as known to the Directors, there has been no material deviation from the CG Code during the Reporting Period, except for the Code Provisions A.2.7, A.6.7 and E.1.2 of the CG Code as noted hereunder.

Under the Code Provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. During FY 2017, the chairman of the Board was unable to hold such meeting due to other engagements. Alternatively, the other non-executive Director and all independent non-executive Directors had a meeting during FY 2017 without the executive Directors present so as to exchange their views and gather any potential concerns and/or questions that they might have and thereafter report the same to the chairman of the Board.

Under the Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other engagements, one non-executive Director was unable to attend the AGM held on 23 May 2017 (the "2017 AGM") and the extraordinary general meeting held on 15 June 2017 (the "EGM"), and one independent non-executive Director was unable to attend the EGM. However, all other independent non-executive Directors and non-executive Director were invited to, and attended the 2017 AGM and EGM to ensure an effective communication with the Shareholders at such meetings.

Under the Code Provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Due to other engagements, the chairman of the Board was unable to attend the 2017 AGM. A non-executive Director, who acted as the chairman of meeting at the 2017 AGM, together with other members of the Board who attended the meeting, were of sufficient caliber for answering questions at the 2017 AGM.

The Company continues to enhance its corporate governance practices appropriate to the conduct and growth of its business, and to review and improve such practices from time to time to ensure that business activities and decision making processes are regulated in a proper and prudent manner in accordance with international best practices.

Corporate Governance Report

The Board

Responsibilities

The Board is responsible for the leadership and control of the Group, and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Board Composition

During FY 2017, the Board comprised seven Directors, consisting of two executive Directors, two non-executive Directors and three independent non-executive Directors. On 27 March 2018, Dr. Cheng Kar Shun resigned as a non-executive Director and the chairman of the Board, whereas Mr. Chong Tin Lung, Benny was appointed as an executive Director and the chairman of the Board, both with effect from 9 April 2018. All Directors possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. Biographies of the Directors are set out from pages 48 to 52 of this annual report under the section headed "Directors' and Senior Management's Profile".

The list of Directors (by category) as set out under "Corporate Information" on page 139 is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified as such in all corporate communications of the Company pursuant to the Listing Rules.

Save as disclosed herein, none of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship(s)) between each other.

As at the date of this annual report, the Company met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to the requirements of the Listing Rules, the Company has received written confirmation from each of the independent non-executive Directors confirming his independence from the Company, and considers all of the independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

The non-executive Directors and independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation and sharing of valuable impartial view on matters discussed at Board meetings, taking lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors and independent non-executive Directors have made various contributions to the effective direction of the Company.

The Board *(Continued)*

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the chairman of the Board and the chief executive officer to ensure a balance of power and authority. Their respective responsibilities are clearly defined and set out in writing. During FY 2017, the role of chairman was held by Dr. Cheng Kar Shun and the Company did not have a chief executive officer. On 27 March 2018, Dr. Cheng Kar Shun resigned as chairman and Mr. Chong Tin Lung, Benny was appointed as chairman, both with effect from 9 April 2018.

The chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the company secretary and the senior executives, the chairman is responsible for ensuring that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

The role of chief executive officer focuses on achieving the Company's objectives and implementing policies and strategies approved and delegated by the Board. He/she is in charge of the Company's day-to-day management and operations and is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval. As at the date of this report, the function of the chief executive officer is divided among the executive Directors. The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the appointment of a chief executive officer, are necessary.

Appointment, Re-election and Removal of Directors

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) is engaged on a service contract for a term of three years from their respective effective dates of appointment. The appointment may be terminated by not less than three months' prior written notice.

In accordance with the Articles, all the Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by Shareholders at the first general meeting after appointment. Any further appointment of an independent non-executive Director, who has served the Board for more than nine years, shall be subject to a separate resolution to be approved by the Shareholders.

The procedures and process of appointment, re-election and removal of the Directors are laid down in the Articles. The Nomination Committee is responsible for reviewing the Board's composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

The Board *(Continued)*

Nomination Committee

The Nomination Committee was established on 8 June 2011 and comprised three members, including Mr. Lee Kwan Hung (Chairman of the Committee), Mr. Tsui King Fai and Mr. Shin Yick, Fabian, being independent non-executive Directors during FY 2017.

On 27 March 2018, Mr. Chong Tin Lung, Benny, who was appointed as an executive Director, was also appointed as a member of the Nomination Committee with effect from 9 April 2018.

The specific written terms of reference of the Nomination Committee are available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited.

Pursuant to the terms of reference, the principal duties of the Nomination Committee include the following:

- To review the structure, size, composition and diversity of the Board and to make recommendations on any proposed changes to the Board to complement the corporate strategy;
- To identify candidates suitably qualified for appointment as the Directors;
- To make recommendations to the Board on appointment or re-appointment of the Directors and succession planning for the Directors;
- To review the board diversity policy, as appropriate, the measurable objectives adopted for implementing the policy and the progress on achieving the objectives; and
- To assess the independence of independent non-executive Directors.

The Nomination Committee has adopted written nomination criteria, procedure and process for providing a formal, considered and transparent procedure to the Board for evaluating and selecting candidates for directorships. Where vacancy(ies) on the Board exists, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidate(s), the Company's needs and other relevant statutory requirements and regulations. The Human Resources Department of the Company will assist and an external recruitment agency may be engaged to carry out the recruitment and selection process where necessary.

The Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. As set out in the policy, a truly diverse Board will include and make good use of differences in the background, knowledge, skills, expertise, regional and industry experience, gender and other qualities of the members of the Board. These differences will be taken into account in determining the optimum composition of the Board. Board diversity has been considered and practised by the Company from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, skills, experience, knowledge, expertise and independence. The current Board is considered well-balanced and of a diverse mix appropriate for the business of the Group. The Nomination Committee is responsible for the review of the measurable objectives adopted for implementing the board diversity policy and the progress on achieving the objectives. The Nomination Committee will also review the board diversity policy, as appropriate, to ensure its effectiveness and recommend any proposed revisions to the Board for approval.

The Board *(Continued)*

Nomination Committee *(Continued)*

The nomination procedures for directors can be accessed from the website of the Company.

A summary of the work performed by the Nomination Committee during FY 2017 is set out as follows:

– Reviewed and discussed on the existing structure, size, composition and diversity of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements for the business of the Group and that it is in compliance with the requirements under the Listing Rules;

– Assessed the independence of the independent non-executive Directors; and

– Recommended the re-appointment of retiring Directors at the 2017 AGM.

In accordance with articles 106(1) and 106(2) of the Articles, Messrs. Wu Wai Leung, Danny, Shin Yick, Fabian and Li Changfa will retire from their office by rotation at the 2018 AGM. In addition, pursuant to article 101(3) of the Articles, Mr. Chong Tin Lung, Benny, who has been appointed by the Board as an executive Director and the chairman of the Board with effect from 9 April 2018, will retire at the 2018 AGM. All the above retiring Directors, being eligible, shall offer themselves for re-election as Directors at the 2018 AGM.

The Nomination Committee recommended the re-appointment of these retiring Directors at the 2018 AGM. The Company's circular, sent together with this annual report, contains detailed information of these retiring Directors pursuant to the Listing Rules requirements.

The Nomination Committee held a meeting during FY 2017 and the attendance records of the Nomination Committee members are as follows:

Name of Nomination Committee Member	Attendance/Number of Meeting(s) held
Mr. Lee Kwan Hung *(Chairman of the Committee)*	1/1
Mr. Tsui King Fai	1/1
Mr. Shin Yick, Fabian	1/1
Mr. Hui Hon Chung (Note 1)	0/0

Note:

(1) Resigned on 23 January 2017.

The Board *(Continued)*

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including:

- To develop and review the Company's policies and practices on corporate governance;

- To review and monitor the training and continuous professional development of the Directors and senior management;

- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

- To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Induction and Continuing Development

All Directors have been given a Director's manual with relevant guideline materials regarding, among others, the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interests and business of the Group.

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has an appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction is normally supplemented with visits to the Group's key mine sites and/or meetings with the senior management of the Company.

All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, they are also continually updated with the business and market changes to facilitate the discharge of their responsibilities.

The Board *(Continued)*

Induction and Continuing Development *(Continued)*

The Directors confirmed that they have complied with Code Provision A.6.5 of the CG Code about the requirement for the Directors' training. During FY 2017, all the Directors participated in continuous professional development by attending seminars/in-house briefing/reading materials as detailed below to develop and refresh their knowledge and skills and provided records of training to the Company.

	Type of Continuous Professional Development					
	Topics on Training Covered				Reading Seminar Materials and Updates relating to the latest development of the Listing Rules and other regulatory requirements	Delivering Talks on topics relating to Corporate Governance, Legal and Regulatory Framework
Name of Director	**Corporate Governance**	**Regulatory Development**	**Business or Management**	**Other Relevant Topics**		
Non-executive Directors						
Dr. Cheng Kar Shun *(Chairman)*	–	–	–	–	✓	–
Mr. Hui Hon Chung *(Vice-Chairman)* (Note 1)	–	–	–	–	–	–
Mr. Cheng Chi Ming, Brian (Note 1)	–	–	–	–	–	–
Mr. Wu Wai Leung, Danny	–	–	–	–	✓	–
Executive Directors						
Mr. Li Changfa	–	–	–	–	✓	–
Mr. Luk Yue Kan	✓	✓	✓	✓	✓	–
Independent Non-executive Directors						
Mr. Tsui King Fai	✓	–	✓	–	✓	–
Mr. Lee Kwan Hung	✓	✓	✓	✓	✓	–
Mr. Shin Yick, Fabian	✓	✓	–	–	✓	–

Note:

(1) Resigned on 23 January 2017.

According to the training records received by the Company, an average of approximately 13 training hours were undertaken by each Director during FY 2017.

Besides, continuing briefings and professional development for the Directors will be arranged where necessary.

The Board *(Continued)*

Board Meetings

Board Practices and Conduct of Meetings

Regular Board meetings are held at least four times a year and additional Board meetings are held when the Board considers appropriate. Schedules for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. Draft agenda of each Board meeting is sent to the Directors in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting. Notice of regular Board meetings is served to all the Directors at least 14 days before the meetings. For other Board meetings and committee meetings, reasonable notice is generally given.

In respect of regular Board meetings or committee meetings and so far as practicable in all other cases, meeting papers are sent to the Directors or respective committee members in a timely manner and at least 3 days before the intended date of the respective meetings to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The chief operating officer, chief financial officer and other relevant senior management normally attend regular Board meetings and where necessary, other Board meetings and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Group.

The company secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are circulated to the Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. According to current Board practices, any material transaction, which involves a conflict of interest for a Substantial Shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting.

Directors' Attendance and Time Commitment

During FY 2017, five Board meetings were held for reviewing and approving a continuing connected transaction, the financial and operating performance, considering and approving the overall strategies and policies of the Group and other matters.

The Board *(Continued)*

Board Meetings *(Continued)*

Directors' Attendance and Time Commitment *(Continued)*

The attendance records of individual Directors at the following meetings during FY 2017 are as follows:

	Attendance/ Number of Meeting(s) held during the respective term of services		
Name of Director	**Board Meeting(s)**	**AGM**	**Extraordinary General Meeting**
Non-executive Directors			
Dr. Cheng Kar Shun *(Chairman)*	0/5	0/1	0/1
Mr. Hui Hon Chung *(Vice-Chairman)* (Note 1)	0/0	0/0	0/0
Mr. Cheng Chi Ming, Brian (Note 1)	0/0	0/0	0/0
Mr. Wu Wai Leung, Danny	5/5	1/1	1/1
Executive Directors			
Mr. Li Changfa	5/5	1/1	0/1
Mr. Luk Yue Kan	5/5	1/1	1/1
Independent Non-executive Directors			
Mr. Tsui King Fai	5/5	1/1	1/1
Mr. Lee Kwan Hung	5/5	1/1	1/1
Mr. Shin Yick, Fabian	5/5	1/1	0/1
Total number of meetings held during FY 2017:	**5**	**1**	**1**

Note:

(1) Resigned on 23 January 2017.

Apart from the above Board meetings, a meeting among all the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors was also held during FY 2017. However, as disclosed in the section headed "Corporate Governance Practices", the chairman of the Board was unable to attend such meeting due to other engagements.

The Board *(Continued)*

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Specific enquiry has been made of all the Directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout FY 2017.

The Company has also established written guidelines (the "Code for Securities Transactions by Relevant Employees") on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. Each of the relevant employees has been given a copy of the Code for Securities Transactions by Relevant Employees.

The Company was not aware of any incident of non-compliance with the Code for Securities Transactions by Relevant Employees throughout FY 2017.

Formal notifications are sent by the Company to its Directors and relevant employees reminding them that they should not deal in the securities of the Company during the "black-out period" specified in the Model Code.

Delegation of Management Functions

The overall management and control of the Company's business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in the attainment of the objective of creating value to Shareholders, and, on behalf of Shareholders, overseeing the Company's financial performance. All Directors carry out their duties in good faith and in compliance with the standards of applicable laws and regulations, take decisions objectively and act in the interests of the Company and its Shareholders at all times.

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of the Directors and other significant financial and operational matters.

All the Directors have full and timely access to all relevant information as well as the advice and services of the company secretary and senior management, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making reasonable request to the Board.

Delegation of Management Functions *(Continued)*

The day-to-day management, administration and operation of the Company are delegated to the senior management, which include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems. The Board has the full support of the senior management for the discharge of its responsibilities.

The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the foregoing senior management.

The Board has established four committees, namely, the Nomination Committee, the Investment Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which (except for the terms of reference of the Investment Committee) can be accessed from the Hong Kong Exchanges and Clearing Limited's and the Company's websites and are also available to the Shareholders upon request.

The majority of the members of each Board committee (except for the Investment Committee) are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 139.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

Investment Committee

The Investment Committee was established on 7 October 2016 and comprised two members, including Mr. Wu Wai Leung, Danny (Chairman of the Committee), being a non-executive Director, and Mr. Luk Yue Kan, being an executive Director during FY 2017.

On 27 March 2018, Mr. Chong Tin Lung, Benny, who was appointed as an executive Director, was also appointed as the chairman of the Investment Committee with effect from 9 April 2018. Following such appointment, Mr. Wu Wai Leung, Danny ceased to be the chairman of the Investment Committee and was re-designated as a member of the Investment Committee with effect from 9 April 2018.

The specific written terms of reference of the Investment Committee are approved and adopted by the Board.

Investment Committee *(Continued)*

Pursuant to the terms of reference, the duties of the Investment Committee include the following:

- To consider, review, evaluate and approve investment proposals, including but not limited to trading of listed and unlisted debt or equity securities, structured products, and treasury products, for consideration at or below 5% of the total assets of the Group (as published in its latest interim or annual financial statements where applicable) or the market capitalisation of the Company, whichever is the lower (collectively the "Allowable Threshold"). All Directors shall report any investment proposal they have formulated or any reasonable investment opportunity that has come to their attention to the Committee as soon as possible. For investment proposals with consideration exceeding the Allowable Threshold, the Committee shall review and make recommendations to the Board;

- To review and make recommendations to the Board for appropriate securities dealing, investment and treasury strategies; and

- To consider such other topics and matters as may be delegated by the Board from time to time.

A summary of the work performed by the Investment Committee during FY 2017 is set out as follow(s):

– Reviewed and recommended to the Board on the Group's proposed investment in a joint venture.

The Investment Committee held a meeting during FY 2017 and the attendance records of the Investment Committee members are as follows:

Name of Investment Committee Member	Attendance/Number of Meeting(s) held
Mr. Wu Wai Leung, Danny *(Chairman of the Committee)*	1/1
Mr. Luk Yue Kan	1/1

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of the Directors and the senior management. Details of the remuneration of each of the Directors and the senior management for FY 2017 are set out in note 8 to the consolidated financial statements.

Remuneration of Directors and Senior Management *(Continued)*

Remuneration Committee

The Remuneration Committee was established on 8 June 2011 and comprised three members, including Mr. Lee Kwan Hung (Chairman of the Committee), Mr. Tsui King Fai and Mr. Shin Yick, Fabian, being independent non-executive Directors during FY 2017.

On 27 March 2018, Mr. Chong Tin Lung, Benny, who was appointed as an executive Director, was also appointed as a member of the Remuneration Committee with effect from 9 April 2018.

The specific written terms of reference of the Remuneration Committee are available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited. Pursuant to the terms of reference, the primary duties of the Remuneration Committee include making recommendations to the Board on the Company's policies and structure of the remuneration of the Directors and senior management, and the remuneration packages of the Directors and the senior management, including benefits in kind, pension rights and compensation payments. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the chairman of the Board about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee held a meeting during FY 2017 and the attendance records of the Remuneration Committee members are as follows:

Name of Remuneration Committee Member	**Attendance/Number of Meeting(s) held**
Mr. Lee Kwan Hung *(Chairman of the Committee)*	1/1
Mr. Tsui King Fai	1/1
Mr. Shin Yick, Fabian	1/1
Mr. Hui Hon Chung (Note 1)	0/0

Note:

(1) Resigned on 23 January 2017.

A summary of the work performed by the Remuneration Committee during FY 2017 is set out as follows:

– Reviewed the remuneration policy and structure of the Company; and

– Reviewed and recommended to the Board on the renewal of service contract with two independent non-executive Directors.

Accountability and Audit

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group and other financial disclosures required under the Listing Rules. The management has provided the Board with such explanation and information to enable it to carry out an informed assessment of the financial position of the Company and the Group which are put to the Board for approval.

The Board is responsible for presenting a balanced, clear and understandable assessment of the annual report and overseeing the preparation of the financial statements of the Company and the Group with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory and regulatory requirements and applicable accounting standards are complied with.

During FY 2017, the management has provided the Board with monthly updates so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

Risk Management and Internal Control

The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviewing their effectiveness; in particular, it is responsible for evaluating and determining the nature and extent of the risks in maintaining appropriate and effective risk management and internal control systems for the Group to safeguard investments of the Shareholders and assets of the Company. Such systems of the Group are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. The systems have been established to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure to achieve business objectives.

During FY 2017, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls in areas such as finance, operations and compliance, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting function. The Board concluded that in general, the Group's risk management and internal control systems and processes for financial reporting and Listing Rules compliance are effective and adequate.

The Risk Management Department, the Company's internal audit function, conducts evaluation of the Group's internal control on an on-going basis. The Risk Management Department performs risk-based audits to review the effectiveness of the Group's material internal control and risk management so as to provide assurance that key business and operational risks are identified, evaluated and managed. The work carried out by the Risk Management Department will ensure the internal control are in place and functioning as intended. The Risk Management Department reports to the Audit Committee with its findings and makes recommendations to improve the internal control of the Group.

Accountability and Audit *(Continued)*

Risk Management and Internal Control *(Continued)*

The Company has in place an integrated framework of risk management and internal control which is consistent with the principles outlined in the "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants. The key control measures are summarised below:

Monitoring

- Ongoing assessment of control systems' performance.
- Internal audits performed periodically by Risk Management Department.
- Review continuing connected transactions entered into by the Group and effectiveness of the internal control procedures in place to ensure the continuing connected transactions are conducted in compliance with the Listing Rules, and report the findings to the Board.

Information and Communication

- Information in sufficient details is provided to the right person timely.
- Channels of communication developed within the Group and with external parties to ensure information are documented and communicated on a timely manner.
- Channels of communication for people to report any suspected improprieties.
- To ensure compliance with the continuous disclosure obligation of inside information, the Group has adopted a policy for handling and dissemination of inside information. The policy provides guidance to officers on whether the information shall be considered as inside information, and if so, officers shall report to the Board for disclosure. The Group has communicated to the officers regarding the policy in place and has reminded the officers of their reporting obligation from time to time.

Control Activities

- Policies and procedures set to ensure management directives are carried out.
- Control points implanted to safeguard the Group from those identified risks.

Risk Assessment

- Identification, evaluation and assessment of the key risk factors affecting the achievement of the Company's objectives are performed regularly.
- Undertake proper actions to manage the risks so identified.

Control Environment

- Channels to communicate the Company's commitment to integrity and high ethical standards to the staff are established.
- Proper delegation and clear line of reporting, responsibility and accountability within the Group.

Accountability and Audit *(Continued)*

Risk Management and Internal Control *(Continued)*

The Risk Management Department submits internal audit reports annually to the Audit Committee to report the internal audit findings and status update to enable it to assess control of the Group and the effectiveness of risk management. Management is responsible for ensuring appropriate actions are taken to rectify any control weaknesses highlighted in the internal audit reports within a reasonable period. During FY 2017, the Group has not identified any significant control failings or weaknesses, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition.

Risk management is an essential part of corporate governance. Effective risk management facilitates the Group's business development and operation by setting the appropriate risk appetite, maintaining an optimal risk level and most importantly, proactively managing risks. The Group's risk management is the responsibility of every management and embedded in daily operation of every business unit and staff.

Together with the executive Directors, Risk Management Department performs an assessment of risks that could be involved in the Group's operations annually, and submits a risk assessment report to the Audit Committee. The Board, through the Audit Committee, reviews the risk assessment annually. For discussions of significant risks faced by the Group during the Reporting Period, please refer to the sections headed "Market Overview", "Business Review" and "Outlook and Future Plans" in the Management Discussion and Analysis in this annual report. During the Reporting Period, the Group has been able to proactively respond to the changes in its business and external environments.

To strengthen the Group's corporate governance, the Company engaged a professional firm since June 2017 to provide support on the risk management and execution of a 3-Year internal audit plan.

Audit Committee

The Audit Committee was established on 8 June 2011 and comprised three independent non-executive Directors during FY 2017, including Mr. Tsui King Fai (Chairman of the Committee), who possesses the appropriate professional qualification or accounting or related financial management expertise, Mr. Lee Kwan Hung and Mr. Shin Yick, Fabian.

On 27 March 2018, Mr. Lee Kwan Hung has tendered his resignation as a member of the Audit Committee and Mr. Wu Wai Leung, Danny, being a non-executive Director, was appointed as a member of the Audit Committee, both with effect from 9 April 2018.

None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The specific written terms of reference of the Audit Committee are available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited.

Accountability and Audit *(Continued)*

Audit Committee *(Continued)*

Pursuant to the terms of reference, the main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the staff responsible for accounting and financial reporting function, internal auditor or external auditor before submission to the Board;

- To review the relationship with the external auditor by reference to the work performed by it, its fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor;

- To review the adequacy and effectiveness of the Group's financial reporting system, risk management and internal control systems and associated procedures; and

- To oversee the risk management and internal control systems of the Group and to report to the Board on any material issues, and make recommendations to the Board.

A summary of work performed by the Audit Committee during FY 2017 is set out as follows:

– Reviewed with the senior management and finance-in-charge and/or the external auditor the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual financial statements for FY 2016 and interim financial report for the six-months ended 30 June 2017 respectively;

– Met with the external auditor and reviewed its work and findings relating to the annual audit for FY 2016 and the effectiveness of the audit process;

– Reviewed with management and finance-in-charge the effectiveness of the risk management and internal control systems of the Group, including effectiveness of the Risk Management Department, the Company's internal audit function;

– Approved the internal audit report and risk management report for FY 2016;

– Met with the internal auditor and reviewed and approved the risk assessment report for FY 2017 and 3-Year internal audit plan of the Group prepared by the internal auditor;

– Reviewed the external auditor's independence, approved the engagement of external auditor and recommended the Board on the re-appointment of external auditor;

– Reviewed the financial reporting and compliance procedures and the report from the management on the Company's risk management and internal control systems and processes;

– Reviewed the Group's continuing connected transactions for the six months ended 30 June 2017; and

– Noted the impact on the Group in respect of the amendments to the accounting principles and standards.

Accountability and Audit *(Continued)*

Audit Committee *(Continued)*

The Audit Committee held two meetings during FY 2017 and the attendance records of the Audit Committee members are as follows:

Name of Audit Committee Member	Attendance/Number of Meeting(s) held
Mr. Tsui King Fai *(Chairman of the Committee)*	2/2
Mr. Lee Kwan Hung	2/2
Mr. Shin Yick, Fabian	2/2

The external auditor was invited to attend the meetings without the presence of the executive Directors to discuss with the Audit Committee issues arising from the audit and financial reporting matters. After each meeting, the chairman of the Audit Committee provided the Board with a briefing on the significant issues. An Audit Committee meeting was also held in March 2018 to consider, among others, the Group's annual results and annual report for FY 2017.

External Auditor's Independence and Remuneration

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standards. Members of the Audit Committee were of the view that the Company's external auditor, Messrs. Ernst & Young, is independent and has recommended the Board to re-appoint it as the Company's auditor at the 2018 AGM. During FY 2017, the external auditor has rendered audit services to the Company. The statement about its reporting responsibilities for the Company's financial statements is set out in the section headed "Independent Auditor's Report" on pages 64 to 68.

A summary of audit services provided by the external auditor for FY 2017 and its corresponding remuneration is set out below:

Category of Services	Fees Paid/Payable RMB'000
Audit/review services	
– Interim review services	500
– Annual audit services	1,480
Total	**1,980**

There was no non-audit service provided by the external auditor for FY 2017.

Company Secretary

The company secretary of the Company (the "Company Secretary"), who is also an executive Director and the chief financial officer of the Company, is a full time employee of the Company and has knowledge of the Company's day-to-day affairs. The Company Secretary reports to the chairman of the Board and is responsible for advising the Board on governance matters. During FY 2017, the Company Secretary undertook no less than 15 hours of relevant professional training. His biography is set out on page 50 of this annual report under the section headed "Directors' and Senior Management's Profile".

Constitutional Documents

The Company did not make any change to its constitutional documents during FY 2017. The memorandum and articles of association of the Company are available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited.

Communication with Shareholders and Investor Relations

The Company is committed to upholding the highest standards of corporate governance and maintaining effective communication with the Shareholders and investors. To this end, the Company makes use of traditional and online platforms such as results announcements and presentations, annual and interim reports, and the Shareholders' meetings to reach out to individual Shareholders and stakeholders within the investment community to ensure transparent, timely and accurate dissemination of information.

General meetings of the Company provide a forum for communication between the Board and the Shareholders. The chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee, Audit Committee Investment Committee or, in their absence, other members of the respective committees are available to answer questions at general meetings.

The 2018 AGM is scheduled to be held on 23 May 2018. The notice of AGM will be sent to the Shareholders at least 20 clear business days before the AGM.

The Company has investor relations team, led by an executive Director, to meet existing Shareholders and potential investors, research analysts and investment managers from time to time.

To promote effective communication, the Company maintains a website at www.newton-resources.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write directly to the Company at its principal place of business in Hong Kong or via email to ir@newton-resources.com for any enquiries.

Shareholders' Rights

In accordance with article 68 of the Articles, any two 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board and to put forward proposals specified in such requisition by the procedures below:

Shareholders' Rights *(Continued)*

The Shareholder shall deposit a requisition in writing to require an extraordinary general meeting and to put forward proposals at the Company's principal place of business in Hong Kong at Room 1505, 15th Floor, New World Tower, 16-18 Queen's Road Central, Central, Hong Kong (marked for the attention of the Company Secretarial Department) or the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The requisition must include the business to be transacted at the required extraordinary general meeting and must be signed by the Shareholder concerned. If the requisition is confirmed as proper and valid, an extraordinary general meeting shall be convened within 21 days after the deposit of such requisition subject to the requirements of the relevant Articles and the Listing Rules. In case an extraordinary general meeting could not be convened upon the request, the Company will inform the Shareholder accordingly.

If within twenty-one 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.

For enquiries to the Board, the Shareholder shall contact the Investor Relations Department at the Company's principal place of business in Hong Kong at Room 1505, 15th Floor, New World Tower, 16-18 Queen's Road Central, Central, Hong Kong or by e-mail to ir@newton-resources.com. The Company will endeavour to respond to their queries in a timely manner.

As one of the measures to safeguard the Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at the Shareholders' meetings, including the election of individual Directors, for the Shareholders' consideration and voting.

All resolutions put forward at the Shareholders' meetings will be voted by poll pursuant to the Listing Rules and the Articles, and the poll voting results will be published on the websites of the Company and the Hong Kong Exchanges and Clearing Limited after the relevant general meeting in accordance with the requirements of the Listing Rules.

Shareholders may at any time change their choice of language (English or Chinese or both) or means of receipt (printed form or through electronic means on the Company's website) of corporate communications by writing or email to the Company's branch share registrar in Hong Kong.

Going Concern

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

Directors’ and Senior Management’s Profile

Board of Directors

Dr. Cheng Kar Shun GBM, GBS
Chairman/Non-executive Director (Resigned with effect from 9 April 2018)

Dr. Cheng, aged 71, was appointed as a non-executive Director and the chairman of the Company on 23 May 2012 and resigned with effect from 9 April 2018.

He is currently the chairman and executive director of NWD (stock code: 17), NWS (stock code: 659) and Chow Tai Fook Jewellery Group Limited (stock code: 1929), the chairman and non-executive director of New World Department Store China Limited (stock code: 825) and FSE Engineering Holdings Limited (stock code: 331), the vice-chairman and non-executive director of i-Cable Communications Limited (stock code: 1097), an independent non-executive director of Hang Seng Bank Limited (stock code: 11), a non-executive director of SJM Holdings Limited (stock code: 880). He is the chairman and managing director of New World China Land Limited, a company listed on the Hong Kong Stock Exchange until its delisting on 4 August 2016. Dr. Cheng is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited, Chow Tai Fook Enterprises Limited and Mombasa Limited, all of them as well as NWD and NWS are substantial shareholders of the Company. He is also the chairman of New World Hotels (Holdings) Limited. Moreover, he was a non-executive director of Lifestyle International Holdings Limited (stock code: 1212), up to his retirement on 4 May 2015, the chairman and executive director of International Entertainment Corporation (stock code: 1009) and the independent non-executive director of HKR International Limited (stock code: 480), up to his resignation on 10 June 2017 and 31 March 2018 respectively.

He is the chairman of the Advisory Council for The Better Hong Kong Foundation and a standing committee member of the Twelfth Chinese People’s Political Consultative Conference of the PRC. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the HKSAR.

Mr. Chong Tin Lung, Benny
Chairman/Executive Director (Appointed with effect from 9 April 2018)

Mr. Chong, aged 45, was appointed as an executive Director, the chairman of the Board, the chairman of the Investment Committee and a member of each of the Nomination Committee and the Remuneration Committee with effect from 9 April 2018.

Mr. Chong is currently an executive director, the executive chairman and the chief executive officer of Auto Italia Holdings Limited (stock code: 720).

Mr. Chong is the founder of VMS Group and has served as its chairman since its establishment in 2006. He is also a director of VMS Investment Group Limited, which is a substantial shareholder of the Company. Mr. Chong has accumulated over 20 years of experience in the financial and investment industry. VMS Group is principally engaged in proprietary investments, private equity, asset management, securities brokerage and corporate finance advisory services.

Mr. Chong is a Chartered Financial Analyst. He obtained a Bachelor of Commerce from the University of Toronto in 1994 and a Master of Science in Investment Management from the Hong Kong University of Science and Technology in 2000.

Mr. Chong is the son of Ms. Mak Siu Hang, Viola, who is a substantial shareholder of the Company.

Board of Directors *(Continued)*

Mr. Wu Wai Leung, Danny
Non-executive Director

Mr. Wu, aged 57, was appointed as a non-executive Director on 21 May 2015. He is currently a member of each of the Audit Committee and the Investment Committee (both with effect from 9 April 2018) and a director of several subsidiaries of the Company. Mr. Wu is also an executive director and the chief executive officer of Greenheart Group Limited (stock code: 94) and an independent non-executive director of Qianhai Health Holdings Limited (stock code: 911).

Mr. Wu was previously the chairman of the Investment Committee for the period from 7 October 2016 to 9 April 2018. He was also previously an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee, up to his retirement at the conclusion of the 2015 AGM on 21 May 2015.

He graduated from the University of Hong Kong with a Bachelor's degree in social sciences in 1985.

Mr. Wu has over 20 years of experience in investing and business operations in Asia. Since 2003, Mr. Wu has been a director of First Gateway Capital Limited which engages in early stage investment, and investment advisory services to small and medium enterprises in Asia, with a focus in transportation, resource, manufacturing, technology and telecommunication companies. From 1985 to 2002, Mr. Wu served various management positions in Hong Kong Trade Development Council, the Hong Kong office of Quanta Industries Ltd., Sino-Wood Partners, Limited and had been a director of Sino Automotive Parts Limited. Between 2003 and 2006, Mr. Wu was the Economic Advisor of Weifang Municipal Overseas Investment Promotion Bureau, Shandong Province, the PRC.

Mr. Li Changfa
Executive Director/Chief Operating Officer

Mr. Li, aged 71, was appointed as an executive Director and the chief operating officer of the Company on 1 March 2014. He is currently the chairman of the board of directors and legal representative of two PRC subsidiaries of the Company. He is responsible for the overall operation management and strategic development of the Group, and oversees the management, operation, sales and business development of the Yanjiazhuang Mine.

Mr. Li was professionally accredited economist by the Personnel Department of Henan Province（河南省人事廳）in 1992, and graduated from the China University of Petroleum with a major in business administration in 2006.

Mr. Li has over 20 years of experience in business operations, project management and mergers and acquisitions. From 1964 to 1992, he held various management positions in China ShenMa Group and numerous enterprises. From 1992 to 1999, he worked in the subsidiaries of the Ministry of Textile Industry and China General Chamber of Textile（中國紡織工業部及中國紡織總會）, and participated in mergers and acquisitions, restructuring, establishment and management of corporations. From 2002 to 2008, he held various positions, including director and vice president of China Printed Circuit Association, mainly responsible for its policy study and industry development advisory.

Mr. Li was appointed as the vice-chairman of the China Chamber of International Commerce Guangzhou Chamber of Commerce in 2004. From 2006 to 2011, he was appointed as a member of the Eighth Guangzhou Baiyun District Committee of the Chinese People's Political Consultative Conference of the People's Republic of China.

Board of Directors *(Continued)*

Mr. Luk Yue Kan
Executive Director/Chief Financial Officer/Company Secretary

Mr. Luk, aged 42, was appointed as an executive Director and the chief financial officer of the Company on 1 April 2015 and is a member of the Investment Committee. He joined the Company in March 2011 as the financial controller. In November 2011, he assumed the additional role of company secretary of the Company. He oversees the trading business, car-park business, treasury management, financial reporting, company secretarial, human resources, risk management, mergers and acquisitions and investor relations matters of the Company. He is also a director and company secretary of various subsidiaries of the Company.

Mr. Luk holds an Executive MBA degree from Richard Ivey School of Business at The University of Western Ontario in Canada and a Bachelor’s degree in Accountancy from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, and an associate and a Certified Tax Advisor of the Taxation Institute of Hong Kong. Mr. Luk has over 20 years’ experience in auditing, accounting and financial management.

Mr. Tsui King Fai
Independent Non-executive Director

Mr. Tsui, aged 68, was appointed as an independent non-executive Director on 15 December 2010 and is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee.

He currently holds positions in the following companies:

Name of Company	Title
Lippo Limited (stock code: 226)	Independent non-executive director
Lippo China Resources Limited (stock code: 156)	Independent non-executive director
Hongkong Chinese Limited (stock code: 655)	Independent non-executive director
China Aoyuan Property Group Limited (stock code: 3883)	Independent non-executive director
Vinda International Holdings Limited (stock code: 3331)	Independent non-executive director

Moreover, Mr. Tsui was a director and senior consultant of WAG Worldsec Corporate Finance Limited up to his resignation on 30 June 2016.

Mr. Tsui graduated from the University of Houston with a Master of Science in Accountancy degree and a Bachelor of Business Administration degree with first class honors awarded in 1974 and 1973 respectively.

Mr. Tsui is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of each of the Chartered Accountants Australia and New Zealand, and the American Institute of Certified Public Accountants. He has extensive experience in accounting, finance and investment management, particularly in investments in China. Mr. Tsui had worked for two of the “Big Four” audit firms in Hong Kong and the United States of America.

Board of Directors *(Continued)*

Mr. Lee Kwan Hung

Independent Non-executive Director

Mr. Lee, aged 52, was appointed as an independent non-executive Director on 15 December 2010 and is the chairman of each of the Remuneration Committee and the Nomination Committee. Currently, he is a consultant of Howse Williams Bowers.

He currently also holds positions in the following listed companies:

Name of company	Title
Embry Holdings Limited (stock code: 1388)	Independent non-executive director
NetDragon Websoft Holdings Limited (stock code: 777)	Independent non-executive director
Asia Cassava Resources Holdings Limited (stock code: 841)	Independent non-executive director
Tenfu (Cayman) Holdings Company Limited (stock code: 6868)	Independent non-executive director
China BlueChemical Ltd. (stock code: 3983)	Independent non-executive director
Landsea Green Group Co., Ltd. (stock code: 106) (formerly known as Landsea Green Properties Co., Ltd.)	Independent non-executive director
Red Star Macalline Group Corporation Ltd. (stock code:1528)	Independent non-executive director
FSE Engineering Holdings Limited (stock Code: 331)	Independent non-executive director
Ten Pao Group Holdings Limited (stock Code: 1979)	Independent non-executive director
China Goldjoy Group Limited (stock code:1282)	Independent non-executive director

Mr. Lee was previously a member of the Audit Committee up to his resignation as such position with effect from 9 April 2018.

Moreover, he was an independent non-executive director of Vestate Group Holdings Limited (stock code: 1386) and Futong Technology Development Holdings Limited (stock code: 465), up to his resignation on 1 April 2016 and 18 November 2017 respectively.

Mr. Lee holds a Bachelor of Laws (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong. He was admitted as a solicitor in Hong Kong and the United Kingdom and is a practising lawyer. Between 1993 and 1994, Mr. Lee was a senior manager in the Listing Division of the Stock Exchange. Mr. Lee was a partner of Woo Kwan Lee & Lo between 2001 to 2011.

Directors' and Senior Management's Profile

Board of Directors *(Continued)*

Mr. Shin Yick, Fabian
Independent Non-executive Director

Mr. Shin, aged 49, was appointed as an independent non-executive Director on 14 August 2015 and is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Shin is currently the chief executive officer of Well Link International Capital Limited (previously known as Zhaobangji International Capital Limited), which is engaged in investment business, an independent non-executive director of Lisi Group (Holdings) Limited (stock code: 526), China Shun Ke Long Holdings Limited (stock code: 974) and Huabang Financial Holdings Limited (stock code: 3638), a non-executive director of Pak Tak International Limited (stock code: 2668), those companies are listed on the Stock Exchange, and a director of BIO-key International, Inc. (NASDAQ: BKYI), a company whose shares are traded at the Nasdaq stock market of the United States. He was the deputy chief executive officer of CMB International Capital Limited from February 2010 to July 2015. Mr. Shin has over 27 years of experience in investment banking and financial management. Prior to joining CMB International Capital Limited, he worked in several investment banks in Hong Kong.

Mr. Shin was appointed as a non-executive director of Qianhai Health Holdings Limited (stock code: 911) on 6 January 2016 and resigned on 3 February 2016.

Mr. Shin graduated from the University of Birmingham in England with a Bachelor's degree in commerce. After graduation, he worked in the audit department of Deloitte Touche Tohmatsu. He had also worked in a listed company in Hong Kong as group financial controller. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Senior Management

Mr. Li Changfa
Chief Operating Officer

(Please refer to the profile details in above section)

Mr. Luk Yue Kan
Chief Financial Officer/Company Secretary

(Please refer to the profile details in above section)

Report of the Directors

The Directors have pleasure in presenting this annual report and the audited consolidated financial statements of the Group for FY 2017.

Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in note 1 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, a review of the financial performance of the Group, the Group's environmental policies and performance and the compliance with the relevant laws and regulations, can be found in the Management Discussion and Analysis set out on pages 4 to 27 of this annual report. Particulars of important events affecting the Group that have occurred since the end of FY 2017 are set out in the section headed "Important Past Year End Events" on page 54. Key relationships with the Group's employees, customers, suppliers and contractors are set out in the sections headed "Relationship with Stakeholders" and "Major Customers and Suppliers" on page 55. The abovementioned discussions form parts of the business review as contained in this report of the Directors.

Results and Appropriations

The results of the Group for FY 2017 and the Group's financial position as at 31 December 2017 are set out in the consolidated financial statements on pages 69 to 134.

The Directors do not recommend the payment of a final dividend for FY 2017 (2016: Nil).

Use of Proceeds from the Company's Listing

Details of the use of proceeds from the Company's Listing are set out on page 25 of this annual report.

Share Capital

There were no movements in either the Company's authorised or issued share capital during the year.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

Equity-linked Agreements

Save for the share option scheme of the Company set out in the section headed "Share Option Scheme" on page 59 and note 25 to the consolidated financial statements, no equity-linked agreements were entered into during FY 2017 or subsisted at the end of FY 2017.

Permitted Indemnity Provision

Under the Articles, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors throughout the Reporting Period and as at the date of approval of this report of the Directors, pursuant to which the Company shall indemnify any Director against any liability, loss suffered and expenses incurred by the Director in connection with any legal proceedings in which he is involved by reason of being a Director, and in which the judgement is given in his favour or in which he is acquitted. The Company has maintained insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors arising out of corporate activities.

Important Past Year End Events

Except as disclosed in this annual report, since 31 December 2017, being the end of the financial year under review, and up to the latest practicable date for the purpose of ascertaining information contained in this annual report, no important event materially affecting the Group has occurred.

Distributable Reserves

As at 31 December 2017, the Company did not have any reserves available for distribution, calculated in accordance with the Companies Law (2016 Revision) of the Cayman Islands. The share premium account of the Company is available for distribution or paying dividends to the Shareholders subject to the provisions of the Articles and provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts immediately as they fall due in the ordinary course of business.

Purchase, Sale or Redemption of the Company's Listed Securities

During FY 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

Bank Borrowing

Particulars of bank borrowing of the Company and the Group as at 31 December 2017 are set out in note 21 to the consolidated financial statements.

Relationship with Stakeholders

The Group recognises that employees, customers, suppliers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality products and services to its customers and enhancing cooperation with its suppliers and business partners.

The Company provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions. Unfortunately, hit by a number of unfavorable factors and the Disaster in July 2016 and the Renewal matters thereafter, the management of Xingye Mining had informed local employees of production, operation and sales functions to suspend from attending work on a temporary basis until further notice. Pursuant to the PRC relevant laws and regulations, Xingye Mining is required to pay the statutory minimum wages to its employees to support their living. The management of Xingye Mining will review the situation and get the appropriate employees back to work in an orderly and timely manner.

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continual interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively.

The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to enhance the stability of the Group's businesses. The Group reinforces the business partnership with suppliers and contractors by ongoing communication in a proactive manner.

During the Reporting Period, the Group has high reliance on major suppliers and customers for the trading business. Going forward, the management will continue to grow the Trading Business, or even the opportunity for the Group to carry out long-term business cooperation with overseas mines and factories directly so as to enrich the customer and supplier portfolios and mitigate the potential credit risk and business continuity risk that may associated with the over reliance on major customers and suppliers.

Further disclosures about credit terms and creditworthiness of customers and ageing analysis of the Group's receivables and payables are set out in notes 16 and 19 to the consolidated financial statements.

Major Customers and Suppliers

For the Reporting Period, the Group's revenue mainly comes from the Trading Business, which represented a new revenue source. The aggregate sales to the five largest customers of the Group accounted for approximately 76% of the Group's total revenue and sales to the largest customer accounted for approximately 28% of the Group's total revenue for FY 2017. The Group has built up its business relationships with these major customers in 2017, which are trading arms of steel mills and certain State-owned enterprises.

For the Reporting Period, the Group's major suppliers include SCIT, an iron mine in Australia and certain traders of iron ore, and providers of fuels, accessories and various supplies to the Yanjiazhuang Mine. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 93% of the Group's total purchases and purchases from the largest supplier accounted for approximately 44% of the Group's total purchases for FY 2017. Except for the iron ore suppliers to the Group's Trading Business whose business relationship with the Group started in 2017, other major suppliers are located in the Yanjiazhuang Mine area having some long business relationships with Xingye Mining.

Save for SCIT which is a connected person of the Group, none of the Directors, their close associates (as defined under the Listing Rules), or any Shareholder which to the knowledge of the Directors owns more than 5% of the Company's issued share capital has any interest in the Group's five largest suppliers or the Group's five largest customers.

Management Contracts

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

Directors

The Directors during the financial year and up to the date of this annual report are:

Non-executive Directors

Dr. Cheng Kar Shun	*(Chairman)* (Note 1)
Mr. Wu Wai Leung, Danny	
Mr. Hui Hon Chung	*(Vice-Chairman) (resigned on 23 January 2017)*
Mr. Cheng Chi Ming, Brian	*(resigned on 23 January 2017)*

Executive Directors (Note 2)
Mr. Li Changfa
Mr. Luk Yue Kan

Independent Non-executive Directors
Mr. Tsui King Fai
Mr. Lee Kwan Hung
Mr. Shin Yick, Fabian

Notes:

(1) Resigned with effect from 9 April 2018.

(2) Mr. Chong Tin Lung, Benny was appointed as an executive Director and the chairman of the Board with effect from 9 April 2018.

In accordance with articles 106(1) and 106(2) of the Articles, Messrs. Wu Wai Leung, Danny, Shin Yick, Fabian and Li Changfa will retire from their office by rotation at the 2018 AGM. In addition, pursuant to article 101(3) of the Articles, Mr. Chong Tin Lung, Benny, who has been appointed by the Board as an executive Director and the chairman of the Board with effect from 9 April 2018, will retire at the 2018 AGM. All the above retiring Directors, being eligible, shall offer themselves for re-election as Directors at the 2018 AGM.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of its independent non-executive Directors to be independent in accordance with the guidelines as set out under the Listing Rules.

Financial Summary

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 135.

Changes in Directors' Information

The changes in the Directors' information since the disclosure made in the Interim Report 2017 are set out below:

Name of Director	Details of Changes
Dr. Cheng Kar Shun *(Resigned with effect from 9 April 2018)*	• Appointed as the vice-chairman and non-executive director of i-Cable Communications Limited (stock code: 1097), which is a company listed on the Stock Exchange, with effect from 15 September 2017.
	• The directors' fee increased from HK$300,000 per annum to HK$330,000 per annum with effect from 1 January 2018.
	• Resigned as the independent non-executive director of HKR International Limited (stock code: 480), which is a company listed on the Stock Exchange, with effect from 31 March 2018.
Mr. Wu Wai Leung, Danny	• The directors' fee increased from HK$240,000 per annum to HK$264,000 per annum with effect from 1 January 2018.
	• Appointed as a member of the Audit Committee with effect from 9 April 2018.
	• Ceased to be the chairman of the Investment Committee and was re-designated as a member of the Investment Committee with effect from 9 April 2018.
Mr. Li Changfa	• The total monthly salary increased from RMB117,300 to RMB130,000 plus discretionary bonus with effect from 1 January 2018.
	• Ceased to be an authorised representative of the Company under Rule 3.05 of the Listing Rules with effect from 9 April 2018.
Mr. Luk Yue Kan	• The total monthly salary increased from HK$147,100 to HK$162,000 plus discretionary bonus with effect from 1 January 2018.
	• The term of service for acting as an executive Director, chief financial officer and company secretary of the Company has been extended for a further term of three years up to 31 March 2021.
Mr. Tsui King Fai	• The directors' fee increased from HK$240,000 per annum to HK$264,000 per annum with effect from 1 January 2018.

Changes in Directors' Information *(Continued)*

Name of Director	Details of Changes
Mr. Lee Kwan Hung	• Resigned as the independent non-executive director of Futong Technology Development Holdings Limited (stock code: 465), which is a company listed on the Stock Exchange, with effect from 18 November 2017. • The directors' fee increased from HK$240,000 per annum to HK$264,000 per annum with effect from 1 January 2018. • Ceased to be a member of the Audit Committee with effect from 9 April 2018.
Mr. Shin Yick, Fabian	• Appointed as the director of BIO-key International, Inc. (NASDAQ: BKYI), which is a company whose shares traded at the Nasdaq stock market of the United States, with effect from 20 November 2017. • The directors' fee increased from HK$240,000 per annum to HK$264,000 per annum with effect from 1 January 2018.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Biographical Information of Directors and Senior Management

Brief biographical information of the Directors and senior management of the Company are set out in the section headed "Directors' and Senior Management's Profile" on pages 48 to 52.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2018 AGM has entered into any service agreement with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Transactions, Arrangements or Contracts

Other than as disclosed in the paragraph headed "Connected Transactions" in this report of the Directors and "Related Party Transactions" in note 29 to the consolidated financial statements, at the end of FY 2017 or at any time during FY 2017, no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries and its Substantial Shareholders or any of their subsidiaries was a party, or in which a Director or an entity connected with a Director had, whether directly or indirectly, a material interest subsisted.

Directors' Interests in Competing Business

During FY 2017 and up to the date of this annual report, the following Director is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules as set out below:

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Dr. Cheng Kar Shun *(Resigned with effect from 9 April 2018)*	NWS Holdings Limited group of companies	Car-park management	Director and shareholder
	FSE Holdings Limited group of companies	Car-park management	Director and shareholder

As the Board is independent of the boards of the abovementioned entities and the above Director cannot control the Board, the Group is therefore capable of carrying on its businesses independently, and at arm's length from the businesses of these entities.

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 31 December 2017, none of Directors and chief executive of the Company has the interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (the "Associated Corporations"), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company adopted a share option scheme on 9 April 2010. No share option had been granted under the share option scheme since its adoption (note 25 to the consolidated financial statements).

Rights to Purchase Shares or Debentures of Directors and Chief Executive

Other than the aforesaid share option scheme of the Company, at no time during the year ended 31 December 2017 had the Company or any of its subsidiaries entered into any arrangement which enables the Directors or chief executive of the Company to have the right to subscribe for securities of the Company or any of its Associated Corporations or to acquire benefits by means of acquisition of Shares in or debentures of the Company or any of its Associated Corporations.

Substantial Shareholders' and Other Parties' Interests in Shares and Underlying Shares

Long Position in Shares

As at 31 December 2017, so far as known to any Director or chief executive of the Company, the following parties (other than Directors or chief executive of the Company) had interests in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Nature of interest	Total number of Shares held	Approximate percentage of total issued Shares
Shougang Group Co., Ltd.(1)	Interest of controlled corporation	1,098,570,000	27.46%
Shougang Hong Kong(1)	Interest of controlled corporation	1,098,570,000	27.46%
Lord Fortune Enterprises Limited ("Lord Fortune")(1)	Beneficial interest	370,000,000	9.25%
Plus All Holdings Limited ("Plus All")(1)	Beneficial interest	728,570,000	18.21%
Cheng Yu Tung Family (Holdings) Limited(2)	Interest of controlled corporation	620,000,000	15.50%
Cheng Yu Tung Family (Holdings II) Limited(3)	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook Capital Limited ("CTF Capital")(4)	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook (Holding) Limited ("CTF Holding")(5)	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook Enterprises Limited ("CTF Enterprises")(6)	Interest of controlled corporation	620,000,000	15.50%
NWD(7)	Interest of controlled corporation	620,000,000	15.50%
NWS(8)	Interest of controlled corporation	620,000,000	15.50%
NWS Resources Limited ("NWS Resources")(8)	Interest of controlled corporation	620,000,000	15.50%
NWS Mining Limited ("NWS Mining")(8)	Interest of controlled corporation	620,000,000	15.50%
Modern Global Holdings Limited ("Modern Global")(8)	Interest of controlled corporation	620,000,000	15.50%
Perfect Move Limited ("Perfect Move")(8)	Interest of controlled corporation	620,000,000	15.50%
Faithful Boom Investments Limited ("Faithful Boom")(8)	Beneficial interest	620,000,000	15.50%
Mak Siu Hang, Viola(9)	Interest of controlled corporation	749,744,000	18.74%
Master Competent Limited ("Master Competent")(9)	Interest of controlled corporation	749,744,000	18.74%
VMS Holdings Limited ("VMSH")(9)	Interest of controlled corporation	749,744,000	18.74%
VMS Investment Group Limited ("VMSIG")(9)	Beneficial interest, interest of controlled corporation	749,744,000	18.74%
Fast Fortune Holdings Limited ("Fast Fortune")(9)	Beneficial interest	360,000,000	9.00%

Substantial Shareholders' and Other Parties' Interests in Shares and Underlying Shares

(Continued)

Long Position in Shares *(Continued)*

Notes:

(1) Shougang Group Co., Ltd. held a 100% direct interest in Shougang Hong Kong. Lord Fortune and Plus All were wholly-owned subsidiaries of Shougang Hong Kong. Therefore, Shougang Group Co., Ltd. and Shougang Hong Kong were both deemed to be interested in all the Shares held by Lord Fortune and Plus All.

(2) Cheng Yu Tung Family (Holdings) Limited held approximately 48.98% direct interest in CTF Capital and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Capital.

(3) Cheng Yu Tung Family (Holdings II) Limited held approximately 46.65% direct interest in CTF Capital and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Capital.

(4) CTF Capital held approximately 81.03% direct interest in CTF Holding and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Holding.

(5) CTF Holding held 100% direct interest in CTF Enterprises and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Enterprises.

(6) CTF Enterprises held more than one-third of the issued shares of NWD and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by NWD.

(7) NWD held approximately 61.12% direct interest in NWS and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by NWS.

(8) NWS held a 100% direct interest in NWS Resources, which held a 100% direct interest in NWS Mining. NWS Mining held a 100% interest in Modern Global, which held a 100% direct interest in Perfect Move. Faithful Boom was a wholly-owned subsidiary of Perfect Move. Therefore, NWS, NWS Resources, NWS Mining, Modern Global and Perfect Move were all deemed to be interested in all the Shares held by Faithful Boom.

(9) Fast Fortune and VMSIG held 360,000,000 Shares and 389,744,000 Shares as beneficial owners, respectively. Ms. Mak Siu Hang, Viola held a 100% direct interest in Master Competent and a 59.80% direct interest in VMSH while Master Competent also held another 32.20% direct interest in VMSH. Fast Fortune was a wholly-owned subsidiary of VMSIG and VMSH held a 100% direct interest in VMSIG. Therefore, Ms. Mak Siu Hang, Viola, Master Competent and VMSH were all deemed to be interested in all the Shares held by each of VMSIG and Fast Fortune, and VMSIG was deemed to be interested in all the Shares held by Fast Fortune.

Save as disclosed above, the Directors are not aware of any persons who, as at 31 December 2017, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

Sufficiency of Public Float

According to information that is available to the Company and within the knowledge of the Directors, the percentage of the Shares which are in the hands of the public exceeds 25% of the Company's total number of issued Shares during FY 2017 and up to the date of this report.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 28 to 47.

Connected Transactions

The following continuing connected transactions were recorded for FY 2017:

(I) Master Purchase Agreement

On 25 April 2017, a Master Purchase Agreement was entered into between the Group and SCIT, an indirect wholly-owned subsidiary of a 30%-controlled company of a Substantial Shareholder and hence, a connected person of the Company under the Listing Rules, pursuant to which the Group may purchase iron ore from SCIT with reference to the agreed pricing method and procedures. The Master Purchase Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company and were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 15 June 2017. The Master Purchase Agreement will expire on 31 December 2019, with the annual caps of the continuing connected transactions contemplated under the Master Purchase Agreement for each of the three financial years ending 31 December 2019 amounting to US$51 million, US$67 million and US$83 million, respectively. Further details of the Master Purchase Agreement and the annual caps are set out in the announcement and the circular of the Company dated 25 April 2017 and 23 May 2017, respectively.

(II) Annual review of the continuing connected transactions

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have confirmed that the above disclosed continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreement governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditor of the Company to review the above disclosed continuing connected transactions of the Group for FY 2017 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the above disclosed continuing connected transactions of the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided to the Stock Exchange. The Company had complied with all disclosure requirements applicable to such continuing connected transactions under Chapter 14A of the Listing Rules.

Connected Transactions *(Continued)*

Save as disclosed above, a summary of significant related party transactions is disclosed in note 29 to the consolidated financial statements. These transactions constitute continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules that are exempted from any disclosure requirement under Chapter 14A of the Listing Rules.

Annual General Meeting

The 2018 AGM of the Company is scheduled to be held on Wednesday, 23 May 2018. A notice convening the 2018 AGM will be issued and disseminated to the Shareholders in due course.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 17 May 2018 to Wednesday, 23 May 2018 (both days inclusive), during which no transfer of the Shares will be registered. In order to be eligible to attend and vote at the 2018 AGM, all transfer of the Shares accompanied by the relevant properly completed transfer forms and the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 16 May 2018.

Auditor

The financial statements for FY 2017 have been audited by Messrs. Ernst & Young, who will retire at the 2018 AGM and, being eligible, offer itself for re-appointment. A resolution for the reappointment of Messrs. Ernst & Young as auditor of the Company is to be proposed at the 2018 AGM.

On behalf of the Board

Dr. Cheng Kar Shun
Chairman

Hong Kong, 27 March 2018

Independent Auditor's Report

EY 安永

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To the shareholders of Newton Resources Ltd
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Newton Resources Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 134, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("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 judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of iron ore mine related non-current assets	
The non-current assets (including property, plant and equipment ("PPE"), intangible assets and prepaid land lease payments) related to the Yanjiazhuang iron ore mine constituted a significant portion of the Group's assets as at 31 December 2017. At the year-end of 2017, the iron concentrates production has been suspended as a result of principally the land appropriation dispute with local villagers. Besides, the mining permit expired in July 2017, and the renewal application is still in progress. The production suspension of the Yanjiazhuang iron ore mine constituted an impairment indicator for the related non-current assets. The Group engaged an independent valuer and performed an impairment test on the relevant cash-generating unit (the "CGU") of the Yanjiazhuang iron ore mine by comparing the present value of forecasted future cash flows with the carrying amount of the CGU as at 31 December 2017. Estimating the future cash flows requires critical management judgement including estimation of future sales, gross margins, operating costs, growth rates, capital expenditures and the discount rate. Actual cash flows are likely to be different from those estimated or forecasted since anticipated events frequently do not occur as expected and unforeseen events may arise, and their impacts on estimates and forecasts may be material. The Group disclosed the accounting policies and details of impairment assessment of the non-current assets related to the Yanjiazhuang iron ore mine in notes 2.4 Summary of significant accounting policies, 3.2(a) Impairment assessments of non-current assets and fair value measurement, 3.2(b) Mine reserves, 3.2(c) Useful lives of property, plant and equipment, 12 Property, plant and equipment, 13 Intangible assets and 14 Prepaid land lease payments to the consolidated financial statements.	We assessed the valuation model and tested the key assumptions used, such as forecasted commodity price, production volume, production start date, unit cost and capital expenditures, by comparing them to financial budget, analysis on industry trend and the Group's development plan. We involved our internal valuation specialists to assist us in the valuation methodology and the discount rate assessment. We also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of gabbro-diabase mine related non-current assets	
The non-current assets (including PPE and intangible assets) related to the Yanjiazhuang gabbro-diabase mine constituted a significant portion of the Group's assets as at 31 December 2017. Since July 2016, the gabbro-diabase and stone production has been suspended principally due to flood and landslides caused by heavy rain, and the production did not resume in 2017. Besides, the mining permit expired in July 2017, and the renewal application is still in progress. The production suspension of Yanjiazhuang gabbro-diabase mine constituted an impairment indicator for the related non-current assets. The Group engaged an independent valuer and performed an impairment test on the CGU of Yanjiazhuang gabbro-diabase mine by comparing the fair value less cost of disposal with the carrying amount of the CGU as at 31 December 2017. Estimating the recoverable amount requires critical management judgement including estimation of replacement cost, physical deterioration, as well as applicable functional or economic obsolescence. The Group disclosed the accounting policies and details of impairment of the non-current assets related to the Yanjiazhuang gabbro-diabase mine in notes 2.4 Summary of significant accounting policies, 3.2(a) Impairment assessments of non-current assets and fair value measurement, 3.2(c) Useful lives of property, plant and equipment, 12 Property, plant and equipment and 13 Intangible assets to the consolidated financial statements.	We assessed the valuation model and tested the key assumptions used, such as replacement cost, remaining useful life, residual value, physical deterioration, applicable functional or economic obsolescence, marketability, as well as cost to sell, by comparing them to the market data, historical cost and economical useful life. We involved our internal valuation specialists to assist us in the valuation methodology assessment. We also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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.

Other information included in the Annual Report *(Continued)*

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 the directors 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 IFRSs issued by the IASB 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, 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 judgement and maintain professional scepticism 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.

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

- 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 this independent auditor's report is Mr. Bennett S.H. Wai.

Ernst & Young
Certified Public Accountant
Hong Kong

27 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	5	**648,890**	84,584
Cost of sales		**(647,490)**	(84,178)
Gross profit		**1,400**	406
Other income and gains	5	**4,653**	17
Selling and distribution costs		**(297)**	(871)
Administrative expenses		**(35,579)**	(44,918)
Impairment loss on property, plant and equipment	12	**–**	(423,549)
Impairment loss on intangible assets	13	**–**	(48,790)
Impairment loss on prepaid land lease payments	14	**–**	(1,959)
Impairment loss on prepayments	17	**–**	(12,987)
Other expenses		**(7,673)**	(15,251)
Finance (expense)/income, net	7	**(9,706)**	4,391
Loss before tax	6	**(47,202)**	(543,511)
Income tax expense	9	**(241)**	–
Loss for the year		**(47,443)**	(543,511)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**7**	–
Other comprehensive income for the year, net of tax		**7**	–
Total comprehensive loss for the year		**(47,436)**	(543,511)
Loss attributable to:			
Owners of the Company		**(46,545)**	(538,055)
Non-controlling interests		**(898)**	(5,456)
		(47,443)	(543,511)
Total comprehensive loss attributable to:			
Owners of the Company		**(46,570)**	(538,055)
Non-controlling interests		**(866)**	(5,456)
		(47,436)	(543,511)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cent)	11	**(1.16)**	(13.45)

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	12	**266,162**	270,267
Intangible assets	13	**938**	938
Prepaid land lease payments	14	**1,266**	1,307
		268,366	272,512
Current assets			
Inventories	15	**5,452**	9,193
Trade and bills receivables	16	**77,331**	38,331
Prepayments, deposits and other receivables	17	**49,910**	32,807
Cash and bank balances	18	**373,598**	402,844
		506,291	483,175
Current liabilities			
Trade and bills payables	19	**79,074**	2,682
Other payables and accruals	20	**92,175**	87,752
Interest-bearing bank borrowing	21	**208,975**	223,625
Income tax payables		**7,875**	7,634
		388,099	321,693
Net current assets		**118,192**	161,482
Total assets less current liabilities		**386,558**	433,994
Non-current liability			
Long-term payable	22	**500**	500
Net assets		**386,058**	433,494
Equity			
Equity attributable to owners of the Company			
Share capital	23	**331,960**	331,960
Reserves		**58,346**	104,916
		390,306	436,876
Non-controlling interests		**(4,248)**	(3,382)
Total equity		**386,058**	433,494

Li Changfa
Director

Luk Yue Kan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Attributable to owners of the Company							
	Share capital RMB'000 Note 23	Share premium account RMB'000	Capital reserves RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	331,960	719,871	80,864	–	(157,764)	974,931	2,074	977,005
Loss for the year	–	–	–	–	(538,055)	(538,055)	(5,456)	(543,511)
Other comprehensive income for the year	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(538,055)	(538,055)	(5,456)	(543,511)
At 31 December 2016 and 1 January 2017	**331,960**	**719,871**	**80,864**	**–**	**(695,819)**	**436,876**	**(3,382)**	**433,494**
Loss for the year	**–**	**–**	**–**	**–**	**(46,545)**	**(46,545)**	**(898)**	**(47,443)**
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(25)**	**–**	**(25)**	**32**	**7**
Total comprehensive loss for the year	**–**	**–**	**–**	**(25)**	**(46,545)**	**(46,570)**	**(866)**	**(47,436)**
At 31 December 2017	**331,960**	**719,871***	**80,864***	**(25)***	**(742,364)***	**390,306**	**(4,248)**	**386,058**

* These reserve accounts comprise the consolidated reserves of RMB58,346,000 (2016: RMB104,916,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Loss before tax		**(47,202)**	(543,511)
Adjustments for:			
Depreciation of items of property, plant and equipment	6	**4,761**	10,730
Amortisation of intangible assets	6	**–**	210
Amortisation of prepaid land lease payments	6	**41**	101
Impairment loss on property, plant and equipment		**–**	423,549
Impairment loss on intangible assets		**–**	48,790
Impairment loss on prepaid land lease payments		**–**	1,959
Impairment of trade receivable	6	**–**	313
Impairment loss on prepayments		**–**	12,987
Write-down of inventories to net realisable value	6	**1,888**	5,991
Write-off of items of property, plant and equipment	6	**470**	694
Write-off of inventories	6	**–**	749
Finance expense/(income), net	7	**9,706**	(4,391)
Cash flows before working capital changes		**(30,336)**	(41,829)
Decrease/(increase) in inventories		**1,853**	(2,017)
Increase in trade and bills receivables		**(39,000)**	(35,502)
Increase in prepayments, deposits and other receivables		**(17,351)**	(5,367)
Decrease/(increase) in restricted bank deposits		**1,152**	(274)
Increase/(decrease) in trade and bills payables		**76,392**	(1,663)
Increase in other payables and accruals		**17,955**	18,293
Cash from/(used in) operations		**10,665**	(68,359)
Interest received		**6,042**	11,453
Bank charges paid		**(545)**	(4)
Net cash flows from/(used in) operating activities		**16,162**	(56,910)
Cash flows from investing activities			
Purchase of items of property, plant and equipment		**(15,144)**	(3,806)
Net cash flows used in investing activities		**(15,144)**	(3,806)
Cash flows from financing activities			
Increase in restricted bank deposits		**(208,975)**	–
Repayment of bank borrowings		**–**	(77,625)
Interest paid		**(4,499)**	(6,606)
Net cash flows used in financing activities		**(213,474)**	(84,231)

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Net decrease in cash and cash equivalents		**(212,456)**	(144,947)
Cash and cash equivalents at beginning of year		**401,378**	529,041
Effect of foreign exchange rate changes, net		**(24,613)**	17,284
Cash and cash equivalents at end of year		**164,309**	401,378
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	**373,598**	402,844
Restricted bank balances	18	**(209,289)**	(1,466)
Cash and cash equivalents at end of year		**164,309**	401,378

1. Corporate and Group Information

Newton Resources Ltd (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

During the year, the principal activity of the Company is investment holding and the principal activities of its subsidiaries include trading business, mining, processing and sale of iron concentrates and gabbro-diabase and stone products and car-park business.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/ registered capital	Percentage of equity interests attributable to the Company (%)		Principal activities
			Direct	Indirect	
Jet Bright Limited 仲耀有限公司	Hong Kong	Hong Kong Dollars ("HK$") 1,189	–	100	Investment holding
Lincheng Xingye Mineral Resources Co., Ltd. ("Xingye Mining") 臨城興業礦產資源有限公司*/**	Mainland China	United States Dollars ("US$") 50,000,000 (paid-up/registered)	–	99	Mining, processing and sale of iron concentrates and gabbro-diabase and stone products
Ace Profit Investment Limited 向利投資有限公司	Hong Kong	HK$1	–	100	Commodity trading
Opus One Parking Limited**	Hong Kong	HK$100	–	52	Car-park operation

* It is registered as a sino-foreign joint venture under PRC law.

** Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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

2.1 Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are 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. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on the Group's financial statements. Disclosure has been made in note 26 to the consolidated financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 26 to the consolidated financial statements.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has not recognised any deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group did not have any disposal group held for sale as at 31 December 2017.

2.3 Issued but not yet Effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS 1 and IAS 28*[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value.

2.3 Issued but not yet Effective International Financial Reporting Standards *(Continued)*

IFRS 9 *Financial Instruments* *(Continued)*

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt IFRS 15 on from 1 January 2018 and plans to adopt the full retrospective approach. During 2017, the Group has performed a detailed assessment on the impact of the adoption of IFRS 15.

2.3 Issued but not yet Effective International Financial Reporting Standards *(Continued)*

IFRS 15 *Revenue from Contracts with Customers* *(Continued)*

The Group's principal activities consist of trading business, mining, processing and sale of iron concentrates and gabbro-diabase and stone products and car-park business. The expected impacts arising from the adoption of IFRS 15 on the Group are summarised as follows:

(a) Principal versus agent considerations for the trading business

The Group engages in commodity trading business and recognised revenue based on the sales contracts and has been considered as a principal after evaluation the four indicators for principal versus agent considerations.

Under IFRS 15, an entity is a principal (and, therefore, records revenue on a gross basis) if it controls a promised good or service before transferring that good or service to the customer. An entity is an agent (and, therefore, records as revenue the net amount that it retains for its agency services) if its role is to arrange for another entity to provide the goods or services. In order for an entity to conclude that it is providing the good or service to the customer, it must first control that good or service.

This is a change from IAS 18, under which an entity evaluates the indicators in order to make its principal versus agent determination. The three indicators in IFRS 15.B37 are similar to some of those included in current IFRS. However, the indicators in IFRS 15 are based on the concepts of identifying performance obligations and the transfer of control of goods and services. That is, under the new standard, an entity must first identify the specified good or service and determine whether it controls that specified good or service before evaluating the indicators. The indicators serve as support for the entity's control determination and are not a replacement of it. In addition, the new standard does not carry forward some indicators from IAS 18 (e.g., those relating to exposure to credit risk and the form of the consideration as a commission).

Upon the adoption of IFRS 15, the Group will consider the principal versus agent (if any) to evaluate whether a gross or net presentation is appropriate and are not expected to have any significant impact on the Group's results for the year.

(b) Presentation and disclosure

The presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration (if any), how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

2.3 Issued but not yet Effective International Financial Reporting Standards *(Continued)*

IFRS 16 *Leases*

IFRS 16, issued in January 2016, replaces *IAS 17 Leases, IFRIC-4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB5,570,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Except for the above, the Group is in the process of making an assessment of the impact of these new standards, amendment to standards and interpretations upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit (the "CGU")'s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of non-financial assets *(Continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of impaired assets.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 Summary of Significant Accounting Policies *(Continued)*

Related parties *(Continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity; and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of Significant Accounting Policies *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Motor vehicles, fixtures and others	3 – 15 years
Machinery	10 – 15 years

Depreciation of mining infrastructure is calculated using the units of production ("UOP") method to depreciate the cost of the assets proportionately to the extraction of the proved and probable mineral reserves. The mining infrastructure is estimated to have a useful life up to year 2044.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the costs of inventories or expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, or mineable reserve development. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Stripping costs

As part of its mining operations, the Group incurs stripping costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using the UOP method. The capitalisation of development stripping costs ceases when the mine is commissioned and ready for use as intended by management. Factors used to determine when a mine has commenced production are set out in the note for "Production start date" (refer to Note 3.1(b)).

2.4 Summary of Significant Accounting Policies *(Continued)*

Stripping costs *(Continued)*

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping (as outlined above).

Production stripping is generally considered to create two benefits, being either the production of inventories or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventories produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a stripping activity asset, if the following criteria are met:

(a) Future economic benefits (being improved access to the ore body) are probable

(b) The component of the ore body for which access will be improved can be accurately identified

(c) The costs associated with the improved access can be reliably measured

If all of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred.

In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the ore body, the geographical location, and/or financial considerations. Given the nature of the Group's operations, components are generally either major pushbacks or phases and they generally form part of a larger investment decision which requires board approval.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

2.4 Summary of Significant Accounting Policies *(Continued)*

Stripping costs *(Continued)*

If the costs of the inventories produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventories produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of "Mining infrastructure" in the consolidated statement of financial position. This forms part of the total investment in the relevant CGUs, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the UOP method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights, with a life longer than or equal to the license life, are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method, which are estimated to have a useful life up to year 2044. Mining rights are written off to profit or loss when the mining property is abandoned.

2.4 Summary of Significant Accounting Policies *(Continued)*

Intangible assets *(Continued)*

Exploration rights and assets

Exploration rights are stated at cost less accumulated amortisation and any impairment losses and exploration assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration rights are amortised over the term of rights. Equipment used in exploration is depreciated over its useful life, or, if dedicated to a particular exploration project, over the life of the project on the straight-line basis, whichever is shorter. Amortisation and depreciation are included, in the first instance, in exploration rights and assets and are transferred to mining rights when it can be reasonably ascertained that an exploration property is capable of commercial production.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless it is concluded that a future economic benefit is more likely to be realised than not. When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to mining infrastructure or mining right and amortised using the UOP method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to profit or loss when the exploration property is abandoned.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 Summary of Significant Accounting Policies *(Continued)*

Investments and other financial assets

Initial recognition and measurement

The Group's financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

2.4 Summary of Significant Accounting Policies *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised to profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities at amortised cost

The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of interest-bearing bank borrowings, net of directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 Summary of Significant Accounting Policies *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mine in accordance with the PRC rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based on detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure. Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within "finance costs" in profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur at the appropriate discount rate.

2.4 Summary of Significant Accounting Policies *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) car-parking fee income is recognised when services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

The Group's employer contributions vest fully with the employees when contributed into the Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 Summary of Significant Accounting Policies *(Continued)*

Foreign currencies

The consolidated financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

The functional currencies of certain subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in other comprehensive income.

For the purpose of the consolidated statement of cash flows, cash flows of subsidiaries operating in places other than Mainland China are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are periodically evaluated and are based on the Group's experience and other factors, including expectations of future events. Uncertainty about these significant assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

In particular, the Group has identified a number of areas where significant judgements, estimates and assumptions are required. Further information on each of these areas, the associated accounting policy notes and the related qualitative and quantitative discussions are summarised below.

3. Significant Accounting Judgements and Estimates *(Continued)*

3.1 Judgements

(a) Renewal of the mining permit of the Yanjiazhuang Mine

The Group, through Xingye Mining, owns and operates the Yanjiazhuang Mine in Hebei Province, the PRC. The Yanjiazhuang Mine is an open-pit iron ore and gabbro-diabase mine. However, the mining permit of the Yanjiazhuang Mine (the "Mining Permit") had expired in July 2017. The application for the renewal of the Mining Permit (the "Renewal") had been made by the management of Xingye Mining, the registered holder of the Mining Permit, to the relevant government authorities in the PRC. Up to the date of approval of these financial statements, the Renewal application is still in progress, while the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities.

Given the uncertainty inherent in the changing environmental protection requirements and policies towards heavily polluting industries, the management of Xingye Mining expects that it may need more time and effort to work on the aforesaid Renewal matters, including but not limited to liaising with the relevant government authorities about the Renewal options, the reduction and/or payment terms of remaining resources fee payable for gabbro-diabase, and obtain the required governmental approval for forestry ecology planning covering the Yanjiazhuang Mine area, so as to complete the Renewal process as soon as practicable. Xingye Mining will also endeavor to identify the alternatives that could help on the Renewal so as to give impetus to the application process and progress. The Renewal is taken into account in the impairment assessments of the Group's non-current assets as discussed below and further detailed in note 12 to the consolidated financial statements.

(b) Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine development or construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the production phase is considered to commence and all related amounts are reclassified from "Construction in progress" to the appropriate category of "Property, plant and equipment". Some of the criteria used will include, but are not limited to, the following:

- Level of capital expenditure incurred compared to the original construction cost estimates
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce outputs in saleable form (within specifications)
- Ability to sustain ongoing production of acceptable outputs

3. Significant Accounting Judgements and Estimates *(Continued)*

3.1 Judgements *(Continued)*

(b) Production start date *(Continued)*

When a mine development or construction project moves into the production stage, the capitalisation of certain mine development or construction costs ceases and costs are either regarded as forming part of the costs of inventories or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, mining infrastructure development or mineable reserve development. It is also at this point that depreciation or amortisation commences. The production start date is also taken into account in impairment assessments of the Group's non-current assets as discussed below and further detailed in note 12 to the consolidated financial statements.

(c) Stripping costs

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventories and what relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventories and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body is the most suitable production measure.

Furthermore, judgements and estimates are also used to apply the UOP method in determining the depreciable lives of the stripping activity asset(s). Refer to note 2.4 to the consolidated financial statements for more information.

3. Significant Accounting Judgements and Estimates *(Continued)*

3.2 Estimation uncertainty

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, are described below or in the related accounting policy notes. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Differences between actual and expected results may be material. Such changes are reflected in the assumptions when they occur.

(a) Impairment assessments of non-current assets and fair value measurement

The Group assesses each CGU at least annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the value in use and its fair value less costs of disposal. The carrying value of the non-current assets, are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment assessments (the value in use calculations) require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, mine reserves (see below) and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the CGUs. In such circumstances, some or all of the carrying amount of the CGUs may be further impaired or the impairment charge of which may be reduced with the impact recognised in profit or loss.

When the fair values of non-financial assets (the CGUs) need to be determined, e.g., for the purposes of calculating fair value less costs of disposal for impairment testing purposes, fair values are measured using valuation techniques including analytical trending method and the observable market inputs from recognised sources or prices (or the replacement costs) of similar or comparable assets from a secondary market with adjustments for inflation (with reference to the relevant producer price index), useful life calculation, deterioration, obsolescence, marketability and other relevant factors. Fair value is the estimated 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. Further information on how fair value is determined by the Group is contained in note 12 to the consolidated financial statements. The net carrying amounts of the Group's property, plant and equipment, intangible assets and prepaid land lease payments as at 31 December 2017 were RMB266,162,000 (2016: RMB270,267,000), RMB938,000 (2016: RMB938,000) and RMB1,266,000 (2016: RMB1,307,000), respectively. Further details of these assets and related impairment assessment results are given in notes 12, 13, and 14 to the consolidated financial statements.

3. Significant Accounting Judgements and Estimates *(Continued)*

3.2 Estimation uncertainty *(Continued)*

(b) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in both depreciation and amortisation charges calculated on the UOP basis and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves (if any) are also taken into account in impairment assessments of the Group's non-current assets as detailed in note 12 to the consolidated financial statements.

(c) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record a reserve for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment as at 31 December 2017 was RMB266,162,000 (2016: RMB270,267,000) as detailed in note 12 to the consolidated financial statements.

(d) Impairment assessments of receivables, deposits and prepayments

Impairment assessments of receivables, deposits and prepayments are estimated based on the recoverability of balances from respective customers or debtors on an individual or collective basis, which involve significant judgements and estimates. An estimate for doubtful debt is made when collection of the full amount is no longer probable, as supported by evidence available and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimate, such differences will affect the carrying amount of receivables, deposits and prepayments and thus the impairment loss in the period in which such estimate is changed. The net carrying amounts of the trade and bills receivables and prepayments, deposit and other receivables as at 31 December 2017 were RMB77,331,000 (2016: RMB38,331,000) and RMB49,910,000 (2016: RMB32,807,000) respectively, details of which are included in notes 16 and 17 to the consolidated financial statements.

3. Significant Accounting Judgements and Estimates *(Continued)*

3.2 Estimation uncertainty *(Continued)*

(e) Net realisable value of inventories

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated cost to be incurred to complete the production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile and the estimated recovery percentage is based on the expected processing method. Stockpile tonnages are verified by periodic surveys. The carrying amount of inventories as at 31 December 2017 was RMB5,452,000, (2016: RMB9,193,000), details of which are included in note 15 to the consolidated financial statements.

4. Segment Information

Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

Iron Concentrate Business	–	mining, processing and sale of iron concentrates
Gabbro-Diabase and Stone Business	–	mining, processing and sale of gabbro-diabase and stone products
Trading Business	–	supply and trading of iron ores, steel products, other commodities and construction materials
Car-Park Business	–	own, operate and manage car-parking spaces

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and bank balances and other unallocated head office and corporate assets, which are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, income tax payable and other unallocated head office and corporate liabilities, which are managed on a group basis.

4. Segment Information *(Continued)*

Operating Segment Information *(Continued)*

	Iron Concentrate Business RMB'000	Gabbro-Diabase and Stone Business RMB'000	Trading Business RMB'000	Car-Park Business RMB'000	Total RMB'000
Year ended 31 December 2017					
Segment Revenue:					
Sales to external customers	–	1,762	644,730	2,398	648,890
Segment Results	6,140	(15,203)	1,341	(1,437)	(9,159)
Reconciliation:					
Interest income					6,244
Corporate and other unallocated expenses					(38,863)
Interest expenses					(5,424)
Loss before tax					(47,202)
Segment assets	270,700	11,660	94,496	1,865	378,721
Corporate and other unallocated assets					395,936
Total assets					774,657
Segment liabilities	15,923	51,346	89,870	3,194	160,333
Corporate and other unallocated liabilities					228,266
Total liabilities					388,599
Other segment information:					
Write-off of items of property, plant and equipment	318	–	–	–	318
Corporate and other unallocated write-off of items of property, plant and equipment					152
					470
Write-down of inventories to net realisable value	–	1,888	–	–	1,888
Depreciation and amortisation	3,566	768	–	52	4,386
Corporate and other unallocated depreciation					416
					4,802
Capital expenditure	–	1,061	–	26	1,087
Corporate and other unallocated capital expenditure					50
					1,137

4. Segment Information *(Continued)*

Operating Segment Information *(Continued)*

	Iron Concentrate Business RMB'000	Gabbro-Diabase and Stone Business RMB'000	Trading Business RMB'000	Car-Park Business RMB'000	Total RMB'000
Year ended 31 December 2016					
Segment Revenue:					
Sales to external customers	–	4,753	79,641	190	84,584
Segment Results	(405,056)	(118,389)	155	(237)	(523,527)
Reconciliation:					
Interest income					11,154
Corporate and other unallocated expenses					(23,493)
Interest expenses					(7,645)
Loss before tax					(543,511)
Segment assets	270,597	15,928	43,060	782	330,367
Corporate and other unallocated assets					425,320
Total assets					755,687
Segment liabilities	34,172	38,975	–	2,279	75,426
Corporate and other unallocated liabilities					246,767
Total liabilities					322,193

4. Segment Information *(Continued)*

Operating Segment Information *(Continued)*

	Iron Concentrate Business RMB'000	Gabbro-Diabase and Stone Business RMB'000	Trading Business RMB'000	Car-Park Business RMB'000	Total RMB'000
Year ended 31 December 2016 *(Continued)*					
Other segment information:					
Impairment loss on property, plant and equipment	372,934	50,615	–	–	423,549
Impairment loss on intangible assets	1,363	47,427	–	–	48,790
Impairment loss on prepaid land lease payments	1,959	–	–	–	1,959
Impairment of trade receivable	–	313	–	–	313
Impairment loss on prepayments	12,987	–	–	–	12,987
Write-off of items of property, plant and equipment	690	4	–	–	694
Write-off of inventories	–	749	–	–	749
Write-down of inventories to net realisable value	1,742	4,249	–	–	5,991
Depreciation and amortisation	7,997	2,824	–	4	10,825
Corporate and other unallocated depreciation					216
					11,041
Capital expenditure	1,234	1,886	–	143	3,263
Corporate and other unallocated capital expenditure					233
					3,496

4. Segment Information *(Continued)*

Geographical Segment Information

(a) Revenue from external customers

	2017 RMB'000	2016 RMB'000
Hong Kong	**439,836**	190
North America	**86,906**	–
Mainland China	**79,225**	46,070
Asia	**42,923**	38,324
	648,890	84,584

(b) Non-current assets

The majority of the Group's non-current assets were located in the PRC in both years.

Information about major customers

The analysis of the Group's major customers, which a single external customer has contributed 10% or more to the Group's revenue, is as follows:

	2017 RMB'000	2016 RMB'000
Customer A	**178,967**	–
Customer B	**86,906**	–
Customer C	**79,712**	–
Customer D	**79,655**	–
Customer E	**77,463**	–
Customer F	**67,733**	–
Customer G	**–**	41,318
Customer H	**–**	38,323

The revenue contributed by the above major customers are attributable to the Trading Business segment in both years.

5. Revenue and Other Income and Gains

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable and value of service rendered.

An analysis of revenue and other income and gains is as follows:

Revenue

	2017 RMB'000	2016 RMB'000
Sale of iron ore	**644,730**	79,641
Sale of stone products	**1,762**	4,753
Car-parking fee income	**2,398**	190
	648,890	84,584

Other Income and Gains

	2017 RMB'000	2016 RMB'000
Gross rental income from the short-term leasing of moveable equipment	**1,709**	–
Insurance compensation received	**2,144**	–
Others	**800**	17
	4,653	17

6. Loss Before Tax

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2017 RMB'000	2016 RMB'000
Cost of inventories sold		**644,567**	83,913
Cost of services provided		**2,923**	265
Depreciation of items of property, plant and equipment	12	**4,761**	10,730
Amortisation of intangible assets	13	**–**	210
Amortisation of prepaid land lease payments	14	**41**	101
Impairment of trade receivable	16	**–**	313
Minimum lease payments under operating leases for office tenancy and a car-park		**3,583**	1,182
Auditor's remuneration (including out-of-pocket expenses)		**2,014**	1,800
Write-off of items of property, plant and equipment	12	**470**	694
Write-off of inventories		**–**	749
Write-down of inventories to net realisable value		**1,888**	5,991
(Write-back of interest)/interest on construction sum payable arising from the litigation		**(4,761)**	4,761
Estimated possible payments on the outstanding gabbro-diabase resources fee payable		**12,201**	8,735
Employee benefit expense (excluding directors' remuneration (note 8))			
– Wages, salaries and allowances		**10,050**	9,614
– Pension scheme contributions		**313**	489
Gross rental income from the short-term leasing of moveable equipment		**(1,709)**	–
Less: Direct operating expenses		**388**	–
Net rental income		**(1,321)**	–

7. Finance (Expense)/Income

An analysis of the Group's net finance (expense)/income is as follows:

	2017 RMB'000	2016 RMB'000
Bank interest income	**5,493**	11,154
Interest income from trade and bills receivables	**751**	–
Interest on bank borrowing	**(3,951)**	(6,590)
Interest on trade and bills payables	**(549)**	–
Other borrowing costs	**(924)**	(1,055)
Net foreign exchange (losses)/gains	**(9,981)**	886
Bank charges	**(545)**	(4)
Finance (expense)/income, net	**(9,706)**	4,391

8. Emoluments of Directors and Senior Management

Details of the remuneration of directors, disclosed pursuant to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 RMB'000	2016 RMB'000
Fees	**1,118**	1,430
Other emoluments:		
Salaries, allowances and benefits in kind	**2,938**	2,656
Discretionary bonuses	**1,216**	664
Pension scheme contributions	**15**	15
	4,169	3,335
Total	**5,287**	4,765

8. Emoluments of Directors and Senior Management *(Continued)*

(a) Executive directors and non-executive directors

The remuneration paid to executive and non-executive directors during the years ended 31 December 2017 and 2016 were as follows:

2017	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Li Changfa	–	1,408	469	–	1,877
Mr. Luk Yue Kan	–	1,530	747	15	2,292
	–	2,938	1,216	15	4,169
Non-executive directors:					
Dr. Cheng Kar Shun	260	–	–	–	260
Mr. Hui Hon Chung (1)	13	–	–	–	13
Mr. Cheng Chi Ming, Brian (1)	13	–	–	–	13
Mr. Wu Wai Leung, Danny	208	–	–	–	208
	494	–	–	–	494
Total	494	2,938	1,216	15	4,663

(1) Resigned on 23 January 2017

8. Emoluments of Directors and Senior Management *(Continued)*

(a) Executive directors and non-executive directors *(Continued)*

2016	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Li Changfa	–	1,279	320	–	1,599
Mr. Luk Yue Kan	–	1,377	344	15	1,736
	–	2,656	664	15	3,335
Non-executive directors:					
Dr. Cheng Kar Shun	247	–	–	–	247
Mr. Hui Hon Chung [(1)]	197	–	–	–	197
Mr. Cheng Chi Ming, Brian [(2)]	197	–	–	–	197
Mr. Wu Wai Leung, Danny	197	–	–	–	197
Mr. Lam Wai Hon, Patrick [(3)]	1	–	–	–	1
	839	–	–	–	839
Total	839	2,656	664	15	4,174

(1) Appointed on 2 January 2016 and resigned on 23 January 2017

(2) Resigned on 23 January 2017

(3) Resigned on 2 January 2016

8. Emoluments of Directors and Senior Management *(Continued)*

(b) Independent non-executive directors

The fees paid to independent non-executive directors during the years ended 31 December 2017 and 2016 were as follows:

	2017 RMB'000	2016 RMB'000
Mr. Tsui King Fai	**208**	197
Mr. Lee Kwan Hung	**208**	197
Mr. Shin Yick, Fabian	**208**	197
	624	591

(c) Five highest paid individuals

The five highest paid individuals during the year included two (2016: two) directors, details of whose remuneration are set out in note 8(a) above. Details of the remuneration for the year of the remaining three (2016: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	**2,264**	1,922
Discretionary bonuses	**150**	158
Pension scheme contributions	**16**	31
	2,430	2,111

8. Emoluments of Directors and Senior Management *(Continued)*

(c) Five highest paid individuals *(Continued)*

The number of non-director and non-chief executive, highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of Individual(s)	
	2017	2016
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	3	3

During the year ended 31 December 2017, no emoluments were paid by the Group to any of the persons who are or were directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, as a director of any member of the Group or of any other office in connection with the management of affairs of any member of the Group.

(d) Emoluments of senior management

The emoluments of the senior management whose profiles are included in the section headed "Directors' and Senior Management's Profile" of this annual report are already disclosed as the emoluments of directors in note 8(a) above.

9. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year (2016: Nil).

The provision for the PRC corporate income tax ("CIT") is based on the CIT rate applicable to the entities located in or deemed to be operating in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2017 and 2016.

9. Income Tax *(Continued)*

	2017 RMB'000	2016 RMB'000
Current tax charge for the year		
– Hong Kong	**241**	–
– Mainland China	**–**	–
	241	–

A reconciliation of the tax expense applicable to loss before tax at the statutory income tax rate in Hong Kong and Mainland China where the main operating entities of the Group are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	2017						2016					
	Hong Kong		Mainland China		Total		Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Loss before tax	**(26,316)**		**(20,886)**		**(47,202)**		(9,291)		(534,220)		(543,511)	
Tax at the statutory tax rate	**(4,342)**	**16.5**	**(5,222)**	**25.0**	**(9,564)**	**20.3**	(1,533)	16.5	(133,555)	25.0	(135,088)	24.9
Income not subject to tax	**(939)**	**3.6**	**–**	**–**	**(939)**	**2.0**	(1,984)	21.4	–	–	(1,984)	0.4
Expenses not deductible for tax	**5,284**	**(20.1)**	**(576)**	**2.8**	**4,708**	**(10.0)**	3,503	(37.7)	(1,884)	0.4	1,619	(0.3)
Tax effect of deductible temporary differences not recognised	**–**	**–**	**1,782**	**(8.5)**	**1,782**	**(3.8)**	–	–	123,397	(23.1)	123,397	(22.7)
Tax losses not recognised	**238**	**(0.9)**	**4,016**	**(19.2)**	**4,254**	**(9.0)**	14	(0.2)	12,042	(2.3)	12,056	(2.2)
Tax charge at the Group's effective rate	**241**	**(0.9)**	**–**	**–**	**241**	**(0.5)**	–	–	–	–	–	–

The Group has unrecognised tax loss arising from an entity operating in Hong Kong of RMB1,068,000 (2016: Nil). The Group also has unrecognised tax losses arising from entities operating in Mainland China of RMB158,815,000 (2016: RMB155,456,000) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as it is considered not probable that sufficient taxable profits will be available against which the unused tax losses can be utilised by the Group.

10. Dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017 (2016: Nil).

11. Loss Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 4,000,000,000 in issue during the years ended 31 December 2017 and 2016.

The calculation of basic loss per share is based on:

	2017 **RMB'000**	2016 RMB'000
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation	**(46,545)**	(538,055)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**4,000,000**	4,000,000

Diluted loss per share was the same as the basic loss per share as the Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

12. Property, Plant and Equipment

	Buildings RMB'000	Motor vehicles, fixtures and others RMB'000	Machinery RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2016	62,239	5,936	104,490	164,575	408,705	745,945
Additions	–	162	7	–	3,327	3,496
Write-off	–	–	(116)	(34)	(9,249)	(9,399)
At 31 December 2016 and 1 January 2017	**62,239**	**6,098**	**104,381**	**164,541**	**402,783**	**740,042**
Additions	**–**	**76**	**15**	**658**	**388**	**1,137**
Write-off	**–**	**–**	**–**	**–**	**(470)**	**(470)**
Exchange realignment	**–**	**(13)**	**–**	**–**	**–**	**(13)**
At 31 December 2017	**62,239**	**6,161**	**104,396**	**165,199**	**402,701**	**740,696**
Accumulated depreciation and impairment:						
At 1 January 2016	(7,245)	(3,116)	(22,550)	(2,626)	–	(35,537)
Provided for the year	(2,952)	(725)	(7,053)	–	–	(10,730)
Impairment recognised during the year	(30,901)	(310)	(45,508)	(95,950)	(250,880)	(423,549)
Write-off	–	–	34	7	–	41
At 31 December 2016 and 1 January 2017	**(41,098)**	**(4,151)**	**(75,077)**	**(98,569)**	**(250,880)**	**(469,775)**
Provided for the year	**(1,210)**	**(602)**	**(2,949)**	**–**	**–**	**(4,761)**
Exchange realignment	**–**	**2**	**–**	**–**	**–**	**2**
At 31 December 2017	**(42,308)**	**(4,751)**	**(78,026)**	**(98,569)**	**(250,880)**	**(474,534)**
Net carrying amount:						
At 31 December 2017	**19,931**	**1,410**	**26,370**	**66,630**	**151,821**	**266,162**
At 31 December 2016	21,141	1,947	29,304	65,972	151,903	270,267

12. Property, Plant and Equipment *(Continued)*

Impairment assessment in 2017

In accordance with the Group's accounting policies, each asset or CGU is evaluated at least annually at the end of each reporting period, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

For the purposes of impairment assessment, the Group's non-current assets are mainly located at the Yanjiazhuang Mine and divided among the iron concentrate CGU (also known as the Iron Concentrate Business segment) and the gabbro-diabase and stone CGU (also known as the Gabbro-Diabase and Stone Business segment), which are treated as two separate CGUs.

Iron concentrate CGU:

During the year ended 31 December 2017, the Group has yet to resume the trial production of the Iron Concentrate Business at the Yanjiazhuang Mine as affected by the land expropriation disputes and disturbances around, together with local issues and nuisance brought by the inclement weather took place in Hebei Province, the PRC in late July 2016, causing floods and landslides in the region as well as life and economic losses and business disruption (the "Disaster") and the expiration of the Mining Permit in July 2017.

In view of these, management has performed an impairment assessment on the carrying amounts of the Group's property, plant and equipment, intangible assets and prepaid land lease payments of the iron concentrate CGU at 31 December 2017.

In assessing whether an impairment is required, the carrying value of the assets of the iron concentrate CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use ("VIU"). The recoverable amount of the iron concentrate CGU was estimated based on its VIU as determined by discounting the future cash flows to be generated from the continuing use of this CGU, rather than its fair value less costs of disposal which could not capture its future earning potential, and with reference to the valuation report issued by independent professionally qualified valuers. There was no change in the valuation method adopted in 2017 as compared with that in 2016. The recoverable amount of the iron concentrate CGU was determined based on a VIU calculation using cash flow projections according to financial budgets covering the six-year period (2016: five-year period) approved by management with a pre-tax discount rate of approximately 22% (2016: approximately 21%). The CGU cash flows beyond the six-year period (2016: five-year period) are extrapolated using a 2% (2016: 2%) growth rate, which was the expected inflation rate, until the depletion of estimated proved and probable ore reserves. Other key assumptions used in the estimation of VIU for the iron concentrate CGU are summarised as follows:

12. Property, Plant and Equipment *(Continued)*

Impairment assessment in 2017 *(Continued)*

Iron concentrate CGU: *(Continued)*

Recoverable reserves – Economic recoverable reserves represent Xingye Mining management's expectations at the time of impairment testing, which comprise estimated proved and probable ore reserves of approximately 260 Mt (2016: approximately 260 Mt) based on independent technical report of the Yanjiazhuang Mine dated 21 June 2011 (the "ITR"). In addition, the Mining Permit had expired in July 2017. The application for the Renewal had been made by the management of Xingye Mining, the registered holder of the Mining Permit, to the relevant government authorities in the PRC. The Renewal application is still in progress, while the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities. Given the uncertainty inherent in the changing environmental protection requirements and policies towards heavily polluting industries, the management of Xingye Mining expects that it may need more time and effort to work on the aforesaid Renewal matters, including but not limited to liaising with the relevant government authorities about the Renewal options, the reduction and/or payment terms of remaining resources fee payable for gabbro-diabase, and obtain the required governmental approval for forestry ecology planning covering the Yanjiazhuang Mine area, so as to complete the Renewal process as soon as practicable. Xingye Mining will also endeavor to identify the alternatives that could help on the Renewal so as to give impetus to the application process and progress. Therefore, the estimated cash flow projections have been extended to future periods until the depletion of estimated proved and probable ore reserves.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins of the first six-year period in the range of 25% to 30% (2016: first five-year period in the range of 25% to 30%) are based on the industry average gross margin achieved, adjusted for Xingye Mining management's expectations for possible changes in the production costs and estimated market prices. The budgeted gross margins beyond the first six-year period are based on estimated long term sales price of iron concentrates as reference to relevant market and/or analyst researches of approximately RMB630 per tonne (2016: beyond the first five-year period of approximately RMB600 per tonne) and unit production cost of about 57% of sales (2016: about 60% of sales) according to the ITR recommendation with inflation adjustment. These market inputs have been changed as there were changes in market expectations and conditions from time to time. In addition to the above, in order to foster the local villagers to resolve the local matters in an agreeable manner, the management of Xingye Mining devised a preliminary proposal that, by allowing the local villagers to participate in Xingye Mining's mining operations at the Yanjiazhuang Mine, the local villagers could be awarded based on the sales performance of the Iron Concentrate Business (when resumed). Such award sharing proposal, when crystallised, represents the additional costs to the Yanjiazhuang Mine and inevitably leads to the possible reduction in profitability of the iron concentrate CGU in the long run. Such proposal is however still subject to more negotiations with the local village representatives as well as the local authorities, and finalisation and also to the Renewal. The award to the local villagers was included in the impairment testing as additional costs in both years.

Production volumes and production start date – Estimated production volumes of the first six-year period of approximately 2.6 Mt (2016: first five-year period of approximately 2.6 Mt), in aggregate, and production start date are based on the detailed mine plans and take into account development plans of the Yanjiazhuang Mine agreed by Xingye Mining management. The production volumes beyond the aforesaid period largely follow the ITR.

Discount rate – The discount rate used is pre-tax and reflects specific risks associated with the Group and/or its business under review and takes into account the industry's capital structure and applicable market borrowing costs at the time of impairment test. The applicable discount rate increased to approximately 22% in 2017 (2016: approximately 21%) so as to reflect the increase in uncertainty in connection with the Renewal.

The values assigned to key assumptions are consistent with external information sources, where appropriate.

12. Property, Plant and Equipment *(Continued)*

Impairment assessment in 2017 *(Continued)*

Gabbro-diabase and stone CGU:

For the Gabbro-Diabase and Stone Business of the Group, in the first half of 2016, Xingye Mining received a notice from the local Environmental Protection Authority (the "EPA") that it was required to upgrade the environmental protection measures of the production facilities for highway crushed stone and railway ballast at the Yanjiazhuang Mine (the "Environmental Upgrade"). The management of Xingye Mining had then been formulating a preliminary plan for the Environmental Upgrade. However, the Disaster brings new demands from the local villagers to Xingye Mining. Such new demands entail additional time for the management of Xingye Mining to negotiate and discuss with the local villagers with a view to settling or satisfying such demands. As such, the originally planned Environmental Upgrade has to be postponed. In July 2017, on the other hand, the Mining Permit had expired. The Renewal application is still in progress, while the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities. Since the late 2017, Xingye Mining has been pushing forward the remaining outstanding works on the Environmental Upgrade with an aim to attain the requirements for the Environmental Upgrade and shall then arrange for an on-site inspection by the EPA of the environmental protection measures at the Yanjiazhuang Mine. Also, the management of Xingye Mining has been actively addressing the demands in relation to the Disaster, including the dredging of reservoirs, repair or construction of retaining walls and dams near the local villages and repairs of damaged roads as a result of the Disaster, with the village representatives. It is believed that, by satisfying these demands in an agreeable manner, the village representatives will focus on the negotiation with the Group in relation to the award sharing proposal put forward by the Group with a view to achieve consensus and swift settlement of the disputes and other issues surrounding the Yanjiazhuang Mine.

Having regard to the suspension of production pending for the Environmental Upgrade, the above mentioned postponement in Environmental Upgrade and the Renewal matters, management has performed an impairment assessment on the carrying amounts of the Group's property, plant and equipment and intangible assets of the gabbro-diabase and stone CGU at 31 December 2017.

In assessing whether an impairment is required, the carrying value of the assets of the gabbro-diabase and stone CGU is compared with its recoverable amount, which is the higher of the fair value less costs of disposal and its VIU. Attributed to the absence of reliably estimated cash flow projections in view of the Disaster and the suspension of production of the Gabbro-Diabase and Stone Business since 2016, a formal estimate of the recoverable amount is performed and the recoverable value of the gabbro-diabase and stone CGU was determined based on fair value less costs of disposal, and with reference to the valuation report issued by independent professionally qualified valuers.

Fair values are measured using valuation techniques including analytical trending method and analysis of observable market inputs from recognised sources or prices (or the replacement costs) of similar or comparable assets from a secondary market with adjustments for inflation (with reference to the relevant producer price index), useful life calculation, deterioration, obsolescence, marketability and other relevant factors. Fair value represents the estimated 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.

12. Property, Plant and Equipment *(Continued)*

Impairment assessment in 2017 *(Continued)*

Gabbro-diabase and stone CGU: *(Continued)*

The fair value measurement of the gabbro-diabase and stone CGU was categorised under level 3 fair value hierarchy. The significant unobservable inputs used to determine fair value for 2017 were (i) the marketability, (ii) the useful life calculation and (iii) the residual value.

Based on the above-mentioned impairment assessments, the recoverable amounts, carrying amounts and impairment provision of the iron concentrate CGU and the gabbro-diabase and stone CGU as at 31 December 2017 are as follows:

	Recoverable amounts RMB'000	**Carrying amounts** RMB'000	**Impairment provision** RMB'000
Iron concentrate CGU			
– 2017	**260,000**	**255,073**	**–**
– 2016	259,000	635,256	376,256
Gabbro-diabase and stone CGU			
– 2017	**6,440**	**5,890**	**–**
– 2016	5,599	103,641	98,042

Since the recoverable amounts of the iron concentrate CGU and the gabbro-diabase and stone CGU are approximate to their carrying amounts as at 31 December 2017, no impairment provision was made during the year ended 31 December 2017.

The impairment provision for the iron concentrate CGU and the gabbro-diabase and stone CGU as at 31 December 2016 resulted in impairment on the following assets:

Impairment loss recognised on property, plant and equipment

An impairment loss of RMB423,549,000 was recognised in the prior year to write down the carrying amounts of the property, plant and equipment of the iron concentrate CGU and the gabbro-diabase and stone CGU to their respective recoverable amounts of RMB256,714,000 and RMB5,599,000 respectively as at 31 December 2016.

Impairment loss recognised on intangible assets

An impairment loss of RMB48,790,000 (Note 13) was recognised in the prior year to write down the carrying amounts of the mining right of the iron concentrate CGU and the gabbro-diabase and stone CGU to their respective recoverable amounts of RMB938,000 and nil respectively as at 31 December 2016.

Impairment loss recognised on prepaid land lease payments

An impairment loss of RMB1,959,000 (Note 14) was recognised in the prior year to write down the carrying amount of the prepaid land lease payments of the iron concentrate CGU to its recoverable amount of RMB1,348,000 as at 31 December 2016.

13. Intangible Assets

The Group's intangible assets represent Mining Permit located in Lincheng County, Hebei Province, the PRC. The Mining Permit had expired on 26 July 2017. The application for the Renewal had been made by the management of Xingye Mining, the registered holder of the Mining Permit, to the relevant government authorities in the PRC. The Renewal application is still in progress, while the Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities.

	Notes	**2017 RMB'000**	2016 RMB'000
Cost:			
At beginning of the year and end of the year		**50,088**	50,088
Accumulated amortisation and impairment:			
At beginning of the year		**(49,150)**	(150)
Amortisation during the year	6	**–**	(210)
Impairment recognised for the year	12	**–**	(48,790)
At end of the year		**(49,150)**	(49,150)
Net carrying amount:			
At end of the year		**938**	938

During the year ended 31 December 2017, no impairment provision was made for the intangible assets of the iron concentrate CGU and the gabbro-diabase and stone CGU (2016: impairment provision of RMB48,790,000) and details of these assessments are included in Note 12.

14. Prepaid Land Lease Payments

	Notes	**2017 RMB'000**	2016 RMB'000
Carrying amount at 1 January		**1,348**	3,408
Amortisation during the year	6	**(41)**	(101)
Impairment recognised for the year	12	**–**	(1,959)
Carrying amount at 31 December		**1,307**	1,348
Current portion included in prepayments, deposits and other receivables		**(41)**	(41)
Non-current portion		**1,266**	1,307

The Group's leasehold lands are situated in the PRC with lease terms of 40 years and the land use right certificates expiring in September 2049.

During the year ended 31 December 2017, no impairment provision was made for the prepaid land lease payments of the iron concentrate CGU (2016: impairment provision of RMB1,959,000) and details of these assessments are included in Note 12.

15. Inventories

The Group's inventories are carried at cost or net realisable value.

	2017 RMB'000	2016 RMB'000
Raw material and spare parts	**3,623**	3,706
Semi-finished products	**3,751**	3,751
Finished products – gabbro-diabase and stone	**7,837**	9,607
	15,211	17,064
Inventory provision	**(9,759)**	(7,871)
	5,452	9,193

16. Trade and Bills Receivables

	2017 RMB'000	2016 RMB'000
Trade receivables	**4,425**	313
Bills receivable	**73,219**	38,331
	77,644	38,644
Less: Impairment	**(313)**	(313)
Total	**77,331**	38,331

The Group's trading terms with its customers generally require usance letter of credit up to a tenor of 120 days or deposits in advance, except for creditworthy customers to whom credits are granted. The credit periods generally range from seven days to four months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by the management. The Group has not held any collateral or other credit enhancements over its trade receivables balances. As of 31 December 2017, apart from the bills receivable of RMB72,675,000 which bears interest at 3% per annum, the remaining trade and bills receivables are non-interest-bearing (2016: non-interest-bearing).

16. Trade and Bills Receivables *(Continued)*

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

	2017 RMB'000	2016 RMB'000
Within 1 month	**8**	38,331
1 to 3 months	**77,323**	–
Total	**77,331**	38,331

The movements in provision for impairment of trade receivable are as follows:

	2017 RMB'000	2016 RMB'000
At beginning of the year	**313**	–
Impairment loss recognised (Note 6)	**–**	313
At end of the year	**313**	313

Included in the above provision for impairment of trade receivable is a full provision for individually impaired trade receivable of RMB313,000 as at 31 December 2017 and 2016.

17. Prepayments, Deposits and Other Receivables

	2017 RMB'000	2016 RMB'000
Advances to suppliers	**38,342**	26,479
Other tax receivables	**12,700**	12,705
Deposits	**8,032**	3,740
Bank interest receivables	**791**	589
Prepaid land lease payments, current portion	**41**	41
Others	**2,991**	2,240
	62,897	45,794
Impairment of prepayments	**(12,987)**	(12,987)
	49,910	32,807

17. Prepayments, Deposits and Other Receivables *(Continued)*

The above impairment of prepayments represented full provision for certain individually impaired prepayments as at 31 December 2017 and 2016.

These individually impaired prepayments to suppliers that have been long outstanding with delays in delivery and thus considered to be irrecoverable.

The carrying amounts of the remaining prepayments, deposits and other receivables closely approximate to their respective fair values.

18. Cash and Bank Balances

	Note	**2017 RMB'000**	2016 RMB'000
Cash and bank balances		**13,914**	77,125
Time deposits		**359,684**	325,719
		373,598	402,844
Less: Restricted bank balances		**(314)**	(1,466)
Restricted time deposits for interest-bearing bank borrowing	21	**(208,975)**	–
Cash and cash equivalents		**164,309**	401,378

The Group's cash and bank balances and cash and cash equivalents are denominated in the following currencies as at 31 December 2017 and 2016:

	2017 RMB'000	2016 RMB'000
Cash and bank balances denominated in:		
RMB	**5,660**	104,515
HK$	**217,071**	233,628
US$	**150,867**	64,701
	373,598	402,844
Cash and cash equivalents denominated in:		
RMB	**5,346**	103,049
HK$	**8,096**	233,628
US$	**150,867**	64,701
	164,309	401,378

18. Cash and Bank Balances *(Continued)*

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods ranging from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and bank balances in the consolidated statement of financial position approximate to their fair values.

19. Trade and Bills Payables

A significant portion of the Group's purchases is usance letter of credit up to a tenor of 120 days. An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 **RMB'000**	2016 RMB'000
Within 3 months	**77,164**	122
3 to 6 months	**–**	2
6 months to 1 year	**–**	1,426
Over 1 year	**1,910**	1,132
	79,074	2,682

Included in the trade and bills payables is a trade payable of RMB4,103,000 (2016: Nil) due to an indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company which are repayable within 90 days, which represents credit terms similar to those offered by the indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company to their major customers.

As of 31 December 2017, apart from the bills payables of RMB72,516,000 which bears interest at 3% per annum, the remaining trade and bills payables are non-interest bearing (2016: non-interest bearing).

20. Other Payables and Accruals

	2017 RMB'000	2016 RMB'000
Payables to suppliers or contractors for the addition of items of property, plant and equipment	**10,227**	25,420
Gabbro-diabase resources fee payable	**21,480**	21,480
Accrual for the estimated possible payments on the outstanding gabbro-diabase resources fee payable	**20,936**	8,735
Advances from customers	**13,036**	320
Accrued interest expenses	**6,671**	5,746
Due to related parties (Note 29(b)(i))	**3,190**	2,250
Other payables	**16,635**	23,801
Total	**92,175**	87,752

In respect of the Mining Permit for gabbro-diabase at the Yanjiazhuang Mine, the remaining three instalments of the resources fee payable, which amounted to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement, but remained unpaid up to date. In view of the unfavourable economic and market outlook, the management of Xingye Mining has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms. However, the negotiations have yet to turn into any attainment.

Except for the gabbro-diabase resources fee payable which bears interest at floating rates linked to the RMB loan prime rate, other payables are unsecured and non-interest-bearing.

21. Interest-bearing Bank Borrowing

	2017		2016	
	Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000
Current				
Bank borrowing secured and repayable on demand (2016: unsecured and repayable on demand)	**2.21**	**208,975**	2.5	223,625

The Group's interest-bearing bank borrowing is denominated in Hong Kong dollars, and the maturity of which is subject to the banks' overriding right of repayment on demand.

The bank borrowing is secured by certain of the Group's time deposits amounting to HK$250,000,000 (equivalents to approximately to RMB208,975,000) (2016: unsecured) (Note 18).

22. Long-term Payable

	2017 **RMB'000**	2016 RMB'000
Compensation payable to farmers	**500**	500

The Group's long-term payable is unsecured and non-interest-bearing.

23. Share Capital

Shares

	2017 **HK$'000**	2016 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
	RMB'000	RMB'000
Issued and fully paid:		
4,000,000,000 ordinary shares of HK$0.1 each, totally HK$400,000,000	**331,960**	331,960

24. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 71 of the consolidated financial statements.

25. Share Option Scheme

2010 share option scheme

The Company operates a share option scheme, approved on 9 April 2010 (the "2010 Share Option Scheme"), for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2010 Share Option Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries.

The 2010 Share Option Scheme became effective upon the listing of the Company's shares (the "Listing") on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2011 (the "Listing Date") and, unless otherwise cancelled or amended, will remain in force for 10 years from the Listing Date until 3 July 2021.

The maximum number of unexercised share options ("2010 Scheme Options") currently permitted to be granted under the 2010 Share Option Scheme and any other schemes of the Company is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. In addition to the 30% limit set out above, the total number of shares which may be issued upon exercise of all 2010 Scheme Options to be granted under the 2010 Share Option Scheme must not in aggregate exceed 10% of the Company's shares in issue as at the date of approval of the 2010 Share Option Scheme, unless otherwise approved by the shareholders of the Company in general meeting. Options lapsed in accordance with the terms of the 2010 Share Option Scheme will not be counted for the purpose of calculating the 10% limit.

The maximum number of shares issuable under 2010 Scheme Options to each eligible participant in the 2010 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of 2010 Scheme Options in excess of this limit is subject to shareholders' approval in a general meeting.

2010 Scheme Options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any 2010 Scheme Options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of 2010 Scheme Options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of 2010 Scheme Options granted is determinable by the directors, save that such period must not exceed 10 years from the date of grant of 2010 Scheme Options.

The exercise price of 2010 Scheme Options is determined by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of 2010 Scheme Options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

No option has been granted under the 2010 Share Option Scheme since its adoption. As at the beginning and the end of the reporting period and the date of approval of these financial statements, no option remained outstanding under the 2010 Share Option Scheme.

26. Note to the Consolidated Statement of Cash Flows

Changes in liabilities arising from financing activities

	Interest-bearing bank borrowing RMB'000
At 1 January 2017	**223,625**
Foreign exchange movement	**(14,650)**
At 31 December 2017	**208,975**

27. Operating Lease Arrangements

(a) As lessor

The Group leases certain of its moveable equipment under the short-term operating lease arrangement during the year, with a lease negotiated for a term of eight months and all terms will be renegotiated upon expiry (2016: Nil). The terms of the lease also require the tenant to pay security deposits. At 31 December 2017, the Group did not have any future minimum lease receivables under non-cancellable operating leases with its tenants.

(b) As lessee

The Group leases certain of its office premises and a car-park under operating lease arrangements, with leases negotiated for terms of one to three years terms, at which time all terms will be renegotiated upon expiry.

As at 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**3,381**	3,523
In the second to fifth years, inclusive	**2,189**	4,897
	5,570	8,420

28. Commitments

In addition to the operating lease commitments detailed in note 27 above, the Group had the following capital commitments at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	**38,595**	39,257
– Capital contributions to joint venture upon its establishment	**1,500**	–
	40,095	39,257

29. Related Party Transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Related party transactions

	2017 RMB'000	2016 RMB'000
Purchases of iron ore from an indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company (Note)	**287,353**	–
Leasing of office premises from a subsidiary of a substantial shareholder of the Company	**915**	882
Administrative and services support from a subsidiary of a substantial shareholder of the Company	**934**	–
Information technology management and support service fees paid to a subsidiary of a substantial shareholder of the Company	**192**	189
Interest paid to an indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company for credit term granted on iron ore purchases	**549**	–

Note:

The purchases from an indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company were made according to the published prices and conditions offered by that company to their customers.

These transactions constitute continuing connected transactions which have also been disclosed in the Report of the Directors pursuant to Chapter 14A of the Listing Rules.

29. Related Party Transactions *(Continued)*

(b) Outstanding balances with related parties

(i) The Group had outstanding balances due to subsidiaries of a substantial shareholder of the Company of RMB3,190,000 (2016: RMB2,250,000) as at the end of the reporting period. These balances are unsecured, interest-free and have no fixed terms of repayment.

(ii) Details of the Group's trade payable with an indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company as at the end of the reporting period are disclosed in note 19 to the consolidated financial statements.

(c) Compensation of key management personnel

Other than the emoluments paid to the directors and the chief executive of the Company (being the key management personnel of the Company) as disclosed in note 8, there is no significant compensation arrangement during the year.

30. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2017 **RMB'000**	2016 RMB'000
Financial assets – Loans and receivables		
Trade and bills receivables	**77,331**	38,331
Financial assets included in prepayments, deposits and other receivables	**11,814**	6,569
Cash and bank balances	**373,598**	402,844
	462,743	447,744
Financial liabilities – at amortised cost		
Trade and bills payables	**79,074**	2,682
Financial liabilities included in other payables and accruals	**71,583**	78,539
Interest-bearing bank borrowing	**208,975**	223,625
Long-term payable	**500**	500
	360,132	305,346

31. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowing approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the long-term payable is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

32. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include cash and bank balances, trade and bills receivables and financial assets included in prepayments, deposits and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowing and long-term payable.

The main risks that could adversely affect the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Group's financial risk management policies seek to ensure that adequate resources are available to manage the above risks and to maximise value for its shareholders. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowing and payables with floating interest rates.

At present, the Group does not intend to hedge its exposure to interest rate fluctuations. However, the Group will closely observe the movements in market interest rates and its interest rate risk profile, and will consider any rearrangement of its sources of financing and appropriate hedging measures in future as may be necessary.

With all other variables held constant, a change in interest rates of 0.25% per annum would cause a corresponding change in the Group's loss before tax and accumulated losses by RMB594,000 for the year ended 31 December 2017 (2016: RMB733,000).

32. Financial Risk Management Objectives and Policies *(Continued)*

Foreign currency risk

The Group's functional currency is RMB as the assets and operations at the Yanjiazhuang Mine are primarily located in the PRC with transactions settled in RMB. Since the second half of 2016, the Group has commenced the Trading Business and the Car-Park Business, with transactions settled in USD and HKD respectively.

During the reporting period, the Group has transactional currency exposures. Such exposures arose from the sales and purchases of products and other transactions of operating units in currencies other than the Group's functional currencies. Approximately 99% (2016: approximately 94%) and 99% (2016: approximately 98%) of the Group's sales and purchases, respectively during the reporting period, and approximately 40% of the Group's net assets as at 31 December 2017 (2016: approximately 25%) were denominated in foreign currency (the USD). Currently, the Group does not have a foreign currency hedging policy. The unforeseen strengthening of RMB against USD and HKD in 2017 led to the recognition of net foreign exchange losses of approximately RMB10.0 million during the reporting period (2016: net foreign exchange gains of approximately RMB0.9 million).

In view of the diversification of the Group's businesses and products, the management will closely observe the movements in RMB exchange rates and market interest rates and consider any rearrangement of its sources of financing and deposit portfolio where appropriate.

With all other variables held constant, a change in exchange rate of RMB against HKD and USD of 5% per annum would cause a corresponding change in the Group's loss before tax and accumulated losses by RMB7,939,000 for the year ended 31 December 2017 (2016: RMB3,731,000).

Credit risk

The Group's trading terms with its customers generally require usance letter of credit or deposits in advance, except for creditworthy customers to whom credits are granted. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group has not held any collateral or other credit enhancements over its trade receivable balance.

The credit risk of the Group's other financial assets, which comprise cash and bank balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 31 December 2017 and 2016 the Group was exposed to a concentration of credit risk as its trade and bills receivables were primarily due from the Group's five largest customers.

Further disclosure in respect of the Group's exposure to credit risk arising from trade and bills receivables is set out in note 16 to the consolidated financial statements.

32. Financial Risk Management Objectives and Policies *(Continued)*

Liquidity risk

The Group has a funding and treasury policy to monitor its funding requirements and perform ongoing liquidity review. This tool considers the maturity of its financial instruments, financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowing and trade finance and treasury facilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
2017					
Trade and bills payables	**1,910**	**77,164**	**–**	**–**	**79,074**
Other payables and accruals	**–**	**71,583**	**–**	**–**	**71,583**
Interest-bearing bank borrowing	**208,975**	**–**	**–**	**–**	**208,975**
Long-term payable	**–**	**–**	**–**	**500**	**500**
	210,885	**148,747**	**–**	**500**	**360,132**
2016					
Trade payables	1,132	1,550	–	–	2,682
Other payables and accruals	–	78,539	–	–	78,539
Interest-bearing bank borrowing	223,625	–	–	–	223,625
Long-term payable	–	–	–	500	500
	224,757	80,089	–	500	305,346

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as going concern and to maintain healthy capital ratios to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors. No changes were made in the objectives, policies or processes for managing financial risk during the years ended 31 December 2017 and 2016.

33. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 RMB'000	2016 RMB'000
Non-current assets		
Property, plant and equipment	**84**	114
Current assets		
Due from subsidiaries	**399,905**	509,419
Prepayments, deposits and other receivables	**1,562**	1,313
Cash and bank balances	**367,329**	331,984
	768,796	842,716
Current liabilities		
Due to subsidiaries	**157,620**	171,735
Other payables and accruals	**7,460**	5,731
Interest-bearing bank borrowing	**208,975**	223,625
Income tax payable	**3,003**	3,003
	377,058	404,094
Net current assets	**391,738**	438,622
Total assets less current liabilities	**391,822**	438,736
Net assets	**391,822**	438,736
Equity		
Share capital	**331,960**	331,960
Reserves (note)	**59,862**	106,776
Total equity	**391,822**	438,736

Li Changfa
Director

Luk Yue Kan
Director

33. Statement of Financial Position of the Company *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	719,871	77,163	(54,007)	743,027
Loss for the year	–	–	(636,251)	(636,251)
Other comprehensive income for the year	–	–	–	–
Total comprehensive loss for the year	–	–	(636,251)	(636,251)
At 31 December 2016 and 1 January 2017	**719,871**	**77,163**	**(690,258)**	**106,776**
Loss for the year	**–**	**–**	**(46,914)**	**(46,914)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**(46,914)**	**(46,914)**
At 31 December 2017	**719,871**	**77,163**	**(737,172)**	**59,862**

In accordance with the articles of association of the Company and the Companies Law (2016 Revision) of the Cayman Islands, the Company's share premium account is distributable in certain circumstances.

The capital reserves of the Company represented:

- the paid-in capital of the subsidiaries now comprising the Group, after eliminating intra-group investments before the foundation of the Company. These capital injections were made by the equity holders of the Group to Venca Investments Limited (a wholly-owned subsidiary for the Group), which are treated as contributions from the equity holders of the Company in the consolidated financial statements; and

- the remaining unpaid amount due to the then immediate holding company that was waived upon the Listing.

34. Events after the Reporting Period

In March 2018, a wholly-owned subsidiary of the Group (the "PRC Subsidiary") entered into a coal purchase agreement (the "Coal Purchase Agreement") for the supply of coal, pursuant to which, among others, the PRC Subsidiary secured the supply of not less than 500,000 tonnes of coal from the designated coal distributor of a coal mining company (the "Seller") and shall pay to the Seller a sum of RMB50 million as the deposit for the coal supply. Based on the anticipated market demands from time to time, the PRC Subsidiary and the Seller shall enter into monthly purchase contracts setting out the quantity of coal to be purchased by the PRC Subsidiary for the specified period. The Coal Purchase Agreement shall have a term commencing from the date thereof and ending on 31 December 2018, and may be renewed thereafter by mutual agreement of the PRC Subsidiary and the Seller.

35. Approval of the Financial Statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 27 March 2018.

Five-Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

Results

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**648,890**	84,584	3,421	1,263	2,163
Loss before tax	**(47,202)**	(543,511)	(45,644)	(46,020)	(34,902)
Income tax expense	**(241)**	–	–	(422)	(1,026)
Loss for the year	**(47,443)**	(543,511)	(45,644)	(46,442)	(35,928)

Assets, Liabilities and Non-controlling Interests

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**268,366**	272,512	763,653	767,242	766,239
Current assets	**506,291**	483,175	588,077	655,062	776,941
Current liabilities	**(388,099)**	(321,693)	(367,065)	(384,655)	(452,875)
Non-current liabilities	**(500)**	(500)	(7,660)	(15,000)	(22,660)
Total equity	**386,058**	433,494	977,005	1,022,649	1,067,645
Non-controlling interests	**4,248**	3,382	(2,074)	(2,367)	(1,453)
Equity attributable to owners of the Company	**390,306**	436,876	974,931	1,020,282	1,066,192

Glossary of Terms

In this annual report, unless the context otherwise requires, the following expressions have the meanings as mentioned below:

"AGM"	an annual general meeting of the Company
"Articles"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Appendix 14 of the Listing Rules
"Company"	Newton Resources Ltd, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the main board of the Stock Exchange
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Director(s)"	the director(s) of the Company
"Disaster"	inclement weather took place in Hebei Province, the PRC in late July 2016, causing floods and landslides in the region as well as life and economic losses and business disruption
"Environmental Upgrade"	upgrade of the environmental protection measures of the production facilities for highway crushed stone and railway ballast at the Yanjiazhuang Mine as required by the local environmental protection authority
"FY 2016" or "Corresponding Prior Period"	the financial year ended 31 December 2016
"FY 2017" or "Reporting Period"	the financial year ended 31 December 2017
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"Inner Mongolia"	Inner Mongolia Autonomous Region, the PRC
"Investment Committee"	the investment committee of the Company

Glossary of Terms

"IPO"	the initial public offering of the Shares which were listed on the main board of the Stock Exchange on 4 July 2011
"Interim Report 2017"	the interim report of the Company for the six-month period ended 30 June 2017
"JORC"	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the JORC, as amended from time to time
"Listing"	the listing of the Shares on the main board of the Stock Exchange on 4 July 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Master Purchase Agreement"	the master agreement entered into between the Company (for itself and as trustee for the benefits of its subsidiaries) as purchaser and SCIT as supplier on 25 April 2017 in relation to the purchase of iron ore by the Group from SCIT which were approved by the independent Shareholders on 15 June 2017 and will expire on 31 December 2019
"Mining Permit"	the mining permit of Xingye Mining in respect of iron ore and gabbro-diabase at the Yanjiazhuang Mine
"Mt"	megatonne(s) / million tonnes
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"NWD"	New World Development Company Limited
"NWS"	NWS Holdings Limited
"Phase Two"	the second phase of the Company's three-phase expansion plan, to achieve total mining and ore processing capacities of 7,000,000 tpa to produce approximately 1,770,000 tpa of iron concentrates
"Phase Three"	the third phase of the Company's three-phase expansion plan, to achieve total mining and ore processing capacities of 10,500,000 tpa to produce approximately 2,655,000 tpa of iron concentrates

Glossary of Terms

"PRC" or "Mainland China" or "China"	The People's Republic of China, which for the purpose of this report, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Remuneration Committee"	the remuneration committee of the Company
"Renewal"	renewal of the Mining Permit
"RMB"	Renminbi, the lawful currency of the PRC
"Safety Authority"	the relevant government authority for the granting of production safety permit(s) for iron mining and gabbro-diabase products
"SCIT"	SCIT Trading Limited, an indirect wholly-owned subsidiary of Shougang Concord International Enterprises Company Limited and a connected person of the Company under the Listing Rules
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	existing ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Shougang Hong Kong"	Shougang Holding (Hong Kong) Limited, a subsidiary of Shougang Group Co., Ltd., a company incorporated in Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"tonne(s)"	equal to 1,000 kilograms
"tpa"	tonne(s) per annum
"US$" or "USD"	the United States dollar, the lawful currency of the United States of America
"Xingye Mining"	Lincheng Xingye Mineral Resources Co., Ltd（臨城興業礦產資源有限公司）, an indirect non-wholly owned subsidiary of the Company
"Yanjiazhuang Mine"	Lincheng Xingye Mineral Resources Co., Ltd Yanjiazhuang Mine（臨城興業礦產資源有限公司閆家莊礦）, an open-pit iron and gabbro-diabase mine located in Yanjiazhuang Mining Area, Shiwopu, Haozhuang Town, Lincheng County, Hebei Province, the PRC

Corporate Information

Board of Directors

Non-executive Directors

Dr. Cheng Kar Shun *(Chairman)*
(Resigned with effect from 9 April 2018)
Mr. Wu Wai Leung, Danny

Executive Directors

Mr. Chong Tin Lung, Benny *(Chairman)*
(Appointed with effect from 9 April 2018)
Mr. Li Changfa
Mr. Luk Yue Kan

Independent Non-executive Directors

Mr. Tsui King Fai
Mr. Lee Kwan Hung
Mr. Shin Yick, Fabian

Board Committees

Audit Committee

Mr. Tsui King Fai *(Chairman)*
Mr. Wu Wai Leung, Danny
(Appointed with effect from 9 April 2018)
Mr. Lee Kwan Hung
(Resigned with effect from 9 April 2018)
Mr. Shin Yick, Fabian

Remuneration Committee

Mr. Lee Kwan Hung *(Chairman)*
Mr. Chong Tin Lung, Benny
(Appointed with effect from 9 April 2018)
Mr. Tsui King Fai
Mr. Shin Yick, Fabian

Nomination Committee

Mr. Lee Kwan Hung *(Chairman)*
Mr. Chong Tin Lung, Benny
(Appointed with effect from 9 April 2018)
Mr. Tsui King Fai
Mr. Shin Yick, Fabian

Investment Committee

Mr. Chong Tin Lung, Benny *(Chairman)*
(Appointed with effect from 9 April 2018)
Mr. Wu Wai Leung, Danny *(Chairman for the period from 7 October 2016 to 9 April 2018)*
Mr. Luk Yue Kan

Company Secretary

Mr. Luk Yue Kan

Registered Office

P.O. Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Headquarter and Principal Place of Business in the PRC

Yanjiazhuang Mine
Shiwopu Village West
Haozhuang Town
Lincheng County
Hebei Province, the PRC

Principal Place of Business in Hong Kong

Room 1505
15th Floor, New World Tower
16-18 Queen's Road Central
Central, Hong Kong

Principal Share Registrar and Transfer Office

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

Corporate Information

Hong Kong Branch Share Registrar and Transfer Office

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

Auditor

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Solicitors

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

Principal Bankers

Chong Hing Bank Limited
Agricultural Bank of China Limited, Hong Kong Branch
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

Stock Code

Hong Kong Stock Exchange 1231

Share Information

Board lot size: 2000

Investor Information

For more information about the Group, please contact the Investor Relations Department at:

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