滙力集團
HUILI GROUP

Huili Resources (Group) Limited
滙力資源（集團）有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1303

2017
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Xiaobin *(Chairman)*
Ms. Wang Qian
Mr. Liu Huijie
Ms. Jia Dai

Independent Non-Executive Directors

Mr. Cao Shiping
Ms. Xiang Siying
Ms. Huang Mei

AUDIT COMMITTEE

Ms. Huang Mei *(Chairman)*
Mr. Cao Shiping
Ms. Xiang Siying

REMUNERATION COMMITTEE

Ms. Xiang Siying *(Chairman)*
Ms. Wang Qian
Ms. Huang Mei

NOMINATION COMMITTEE

Ms. Wang Qian *(Chairman)*
Ms. Xiang Siying
Ms. Huang Mei

AUTHORISED REPRESENTATIVES

Mr. Li Xiaobin
Mr. Ip Wing Wai

COMPANY SECRETARY

Mr. Ip Wing Wai

INDEPENDENT AUDITOR

PricewaterhouseCoopers
22 Floor, Prince's Building
Central, Hong Kong

LEGAL ADVISERS

as to Hong Kong law
Sidley Austin

as to PRC law
Global Law Office

as to Cayman Islands law
Conyers Dill & Pearman

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

In the PRC
No. 38 Guangchang Bei Road
Hami City
Xinjiang Uygur Autonomous Region
PRC

In Hong Kong
Room 2805, 28/F,
Harbour Centre,
No.25 Harbour Road, Wan Chai, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

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

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

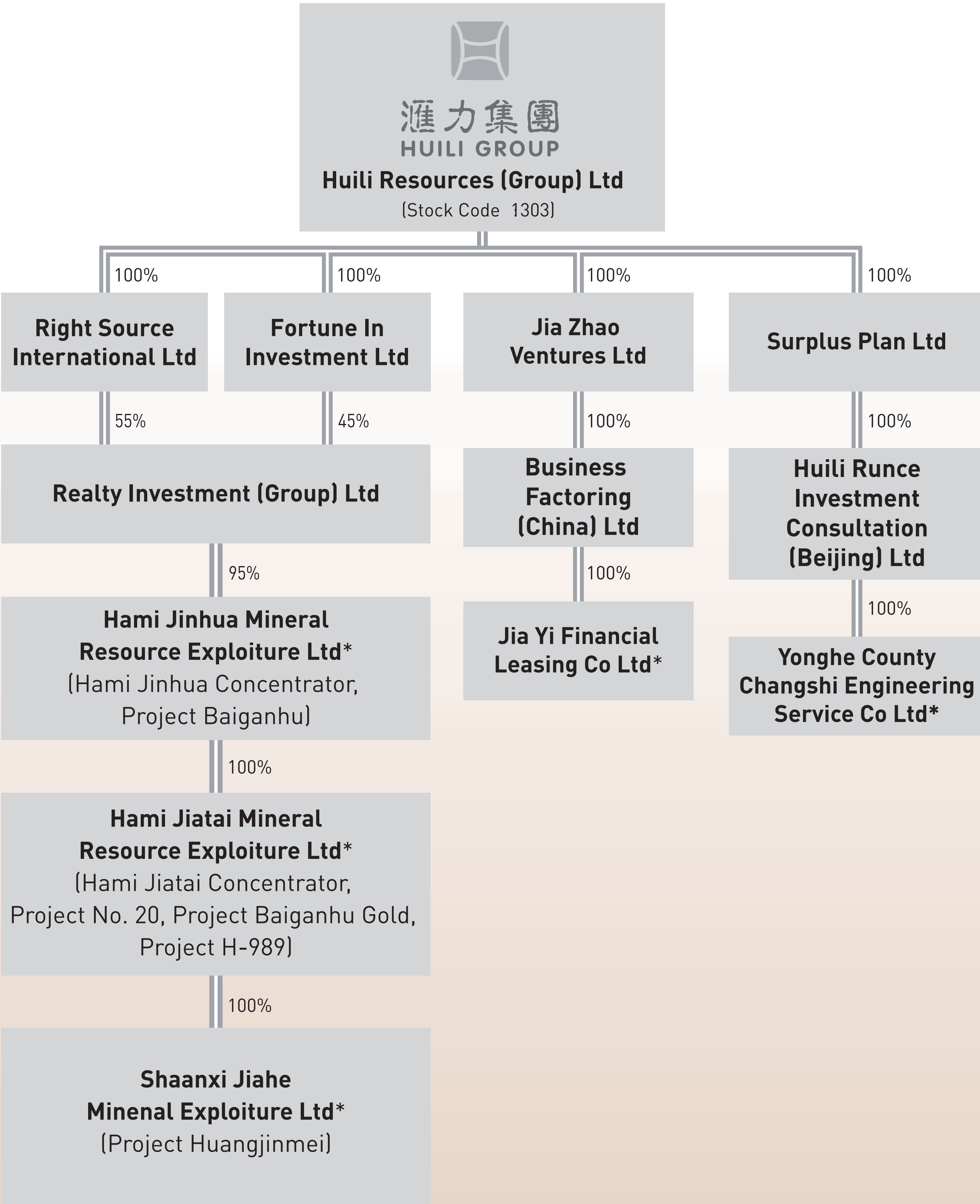
COMPANY WEBSITE

www.huili.hk

STOCK CODE

1303

GROUP STRUCTURE



* For identification purposes only

MINES INFORMATION

MINERAL RESOURCES AS OF 31 DECEMBER 2017

Project name	Classification	Quantity (kt)	Ni Grade (%)	Cu Grade (%)	Ni metal (t)	Cu metal (t)
Project No. 20	Measured	—	—	—	—	—
	Indicated	1,330	0.71	0.24	9,430	3,150
	Inferred	1,260	0.69	0.25	8,660	3,160
	Sub-total	2,590	0.70	0.24	18,090	6,310
Project H-989	Measured	—	—	—	—	—
	Indicated	3,390	0.49	0.23	16,540	7,750
	Inferred	2,370	0.51	0.19	12,100	4,390
	Sub-total	5,760	0.50	0.21	28,640	12,140
Grand total	Measured	—	—	—	—	—
	Indicated	4,720	0.55	0.23	25,970	10,900
	Inferred	3,630	0.57	0.21	20,760	7,550
	Total	8,350	0.56	0.22	46,730	18,450

Project name	Classification	Quantity (kt)	Zn Grade (%)	Pb Grade (%)	Zn metal (t)	Pb metal (t)
Project Baiganhu	Measured	—	—	—	—	—
	Indicated	1,730	6.57	4.13	113,540	71,440
	Inferred	2,150	6.42	3.96	137,910	85,140
	Total	3,880	6.49	4.03	251,450	156,580

ORE RESERVES AS OF 31 DECEMBER 2017

Project name	Reserve classification	Ore Quantity (kt)	Ni Grade (%)	Cu Grade (%)	Ni metal (t)	Cu metal (t)
Project No. 20	Proved	—	—	—	—	—
	Probable	1,099	0.64	0.21	7,071	2,362

Project name	Reserve classification	Ore Quantity (kt)	Zn Grade (%)	Pb Grade (%)	Zn metal (t)	Pb metal (t)
Project Baiganhu	Proved	—	—	—	—	—
	Probable	1,055	5.95	3.73	62,773	39,352

Source: Independent Technical Report prepared by Minarco-Mine Consult (rounding errors affect the total metal amounts reported above)

MINES INFORMATION (CONTINUED)

EXPLORATION PERMITS

Project name	Type of ore under exploration	Exploration Area (km^2)	Permit expiry date (month/year)
Project Baiganhu Gold	Au	1.28	July 2018 (Note)
Project H-989	Cu, Ni	1.91	July 2018 (Note)
Project Huangshan	Cu, Ni	3.49	March 2019

MINING PERMITS

Project name	Type of ore under mining	Mining Area (km^2)	Permit expiry date (month/year)
Project No. 20	Cu, Ni	0.22	June 2019
Project Baiganhu	Pb, Zn	0.96	September 2021

Glossary:
Au: Gold
Cu: Copper
Ni: Nickel
Pb: Lead
Zn: Zinc

Note: The Group is in the progress to renew these permits.

CAPITAL EXPENDITURE AND EXPLORATION EXPENSES

The Group did not carry out any ore production during the year ended 31 December 2016 and 31 December 2017.

For the year ended 31 December 2016 and 31 December 2017, no capital expenditure was incurred for the development and mining activities which mainly represented construction of mining structure and explosive storage of the mines.

For the year ended 31 December 2016 and 31 December 2017, no exploration expenses were charged to the income statement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company mainly participates in non-ferrous ore mining and processing. The diversified non-ferrous metal minerals covered by the Company's operation include nickel, copper, zinc and lead in Xinjiang province, the People's Republic of China (the "PRC"). The mining and exploration tenements and ore processing plants in Xinjiang are located close to the municipal city of Hami, which is approximately 400 km south east of Urumqi, the capital of Xinjiang Uygur Autonomous Region.

The Company's subsidiaries Hami Jinhua Mineral Resource Exploitation Limited ("Hami Jinhua") and Hami Jiatai Mineral Resource Exploitation Limited ("Hami Jiatai"), own two mining permits and three exploration permits in Xinjiang. The prices of copper, nickel, zinc and lead turned around in 2016 and fluctuated at relatively stable level in 2017. The Group still deferred the mining activities and scheduled maintenance work in order to extend the mine services lives and preserve the value of the assets during the year. The Group has also been actively studying and preparing a feasible re-launching production plan.

To diversify the business activities and broaden the revenue base of the Group, on 10 March 2017, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement to acquire 100% equity interest of Yonghe County Changshi Engineering Service Company Limited ("Changshi"). Changshi is principally engaged in engineering service for exploiting oil and gas in Shanxi Province, the PRC. Such acquisition was completed on 27 April 2017.

On 6 September 2016, the Company entered into a framework agreement in relation to a possible acquisition over an upstream natural gas project in Shanxi Province, the PRC. Such framework agreement has been expired during the year. The Group continues to explore acquisition opportunities with promising return in order to expand and diversify its business and to enhance the investment return.

Mining Permits

Hami Jinhua and Hami Jiatai hold two mining permits, namely No. 20 Mine and Baiganhu Mine. No. 20 Mine produces copper and nickel ore. Further exploration and study of the deep ore deposit on the west of Shaft 6 had been considered. To meet new requirements of safety production, No. 20 Mine is to upgrade its lifting system before the production relaunching. Baiganhu Mine produces lead and zinc ore. Further exploration and study of ore bodies had been considered. It plans to set up the underground production systems and facilities for safety production before the production initiation.

Exploration Permits

Hami Jiatai holds three exploration permits in Xinjiang namely Baiganhu Gold, Huangshan and H-989, with minerals covering gold, nickel and copper. Preliminary exploration and/or drilling plans for such tenements had been considered. Hami Jiatai had conducted some exploration at Baiganhu Gold tenement, and identified the preliminary mineralization band and the ore deposit. Subject to the market condition and local requirements, the Group will devote reasonable resources to carry out further exploration in order to enrich the resources and reserve base.

Ore Processing Plants

Hami Jiatai operates a copper-nickel ore processing plant and Hami Jinhua owns a lead-zinc ore processing plant. Both plants were set up to treat ore extracted from the deposits, and adopt a nonconventional flotation circuit. The throughput capacity of both plants is 1,500 tons per day respectively. Nickel, copper, lead and zinc concentrates are separated and recovered from ore processing for sale. Hami Jiatai and Hami Jinhua did not carry out any mining and processing activities during the year.

Financial Service

The financial service in the PRC was carried out by the Company's wholly-owned subsidiary Jiayi Financial Leasing Company Limited ("Jiayi"). Such business generated revenue of approximately RMB 10.2 million (2016: RMB25.6 million) for the year ended 31 December 2017.

On 19 January 2018, Jiayi entered into the loan agreement to provide to a company, an independent third party, a revolving loan facility in the aggregate principal amount of up to RMB100 million with interest rate of 7% per annum for a term of 18 months. The loan was repaid in December 2018. Further details of the loan agreement were disclosed in the announcement of the Company dated 19 January 2018.

Engineering Service

The Group commenced business of engineering service and other related services in Shanxi Province, the PRC through Changshi which generated revenue of approximately RMB12.7 million (2016: nil) during the year. Changshi was incorporated in Shanxi Province, PRC on 29 January 2016 and is principally engaged in petrol, natural gas and coalbed gas engineering and pre-drilling service. During the year, Changshi completed several engineering services covering well-zone earthwork, gas-station road construction, pile driving, surface water conservation and platform building project. Changshi had an engineering team of 10 staff to provided technical guidance, contract workers arrangement, area coverage coordination and mechanical equipments supply in these services. Changshi also provided well gas testing service and leased out construction vehicles during the year.

In 2018, Changshi is also engaged in trading of materials for oil and gas exploration including fracturing sands and water, gas drilling equipments and valves.

Transfer back of Shaanxi Jiahe

References are made to announcements of the Company dated 27 March 2018, 30 April 2018, 31 May 2018, 8 June 2018, 15 June 2018, 17 July 2018, 14 August 2018 and 17 August 2018 (the "Announcements"). Unless otherwise stated, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcements.

The Disposal and the Settlement

On 18 December 2015, Hami Jiatai and Xiaoyi Dajieshan entered into the disposal agreement in relation to the disposal of the entire equity interest of Shaanxi Jiahe, which is principally engaged in mining, ore processing and sale of gold products in the PRC, and the right to the entire debts in the aggregate amount of RMB9.4 million due from Shaanxi Jiahe to the Group for an aggregate consideration of RMB57.4 million (the "Disposal"). Following receipt of the First Payment of RMB4.8 million by the Group, the Disposal was completed in December 2015. In February 2017, the Company, Hami Jiatai and Xiaoyi Dajieshan entered into a supplemental agreement to extend the payment deadline of the balance of consideration for the Disposal to 31 December 2017.

Despite considerable effort was put by the Group in demanding for repayment, Xiaoyi Dajieshan had failed to settle the balance of consideration for the Disposal in the amount of RMB52.6 million. Therefore, in March 2018, Hami Jiatai initiated a legal proceeding against Xiaoyi Dajieshan for the outstanding consideration payable under the Disposal Agreement. Pending the commencement of the said legal proceedings, the Group also sent repeated demands to Xiaoyi Dajieshan. However, taking into consideration of the potential higher legal costs of prolonged litigation proceedings and the low probability of recovering the remaining consideration from Xiaoyi Dajieshan in light of its financial status, the Group considered that the settlement would be in the best interests of the Group.

On 22 May 2018, the Court issued a civil mediation order, pursuant to which Hami Jiatai and Xiaoyi Dajieshan has reached the settlement that the entire equity of Shaanxi Jiahe together with the debts of RMB3.1 million due from Shaanxi Jiahe shall be transferred back to Hami Jiatai, and the RMB4.8 million paid by Xiaoyi Dajieshan to Hami Jiatai as part of the consideration for the disposal shall be retained by Hami Jiatai as liquidated damages (the "Settlement"). Further, on 31 May 2018, the Group and Xiaoyi Dajieshan also entered into the debt settlement agreements, pursuant to which Xiaoyi Dajieshan agreed to re-assign the debts of RMB6.3 million to the Group.

Immediately after the Settlement, Shaanxi Jiahe became an indirect 95%-owned subsidiary of the Company and Xiaoyi Dajieshan ceased to be entitled to any right to the aforementioned debts.

Details of the Disposal and the Settlement were disclosed in the announcements of the Company dated 18 December 2015, 31 May 2018 and 17 August 2018.

Valuation and Impairment

Following transferred back of Shaanxi Jiahe, the Company engaged an independent technical adviser in the PRC to produce a technical report in relation to the reserves, feasibility study and production plan of the gold mine, namely Huangjinmei Mine, operated by Shaanxi Jiahe. The Company also appointed an independent valuation firm to carry out a review of the business enterprise value ("BEV") of Shaanxi Jiahe in order to assess the amount of impairment necessary to be provided for the outstanding receivable from Xiaoyi Dajieshan. The BEV of Shaanxi Jiahe is determined based on the value-in-use calculation using cash flow projections and the management account of Shaanxi Jiahe as at 31 December 2017.

The cash flow projections have taken into account that: (i) based on the technical report, advice from the PRC legal counsel and the interview by the Company and the Auditors with the representative of the Shaanxi Provincial Department of Land Resources, the Company targets to complete the title transfer of exploration rights of Mine 2 of Huangjinmei to Shaanxi Jiahe as soon as practicable and Mine 2 will be able to meet the legal requirement to commence production by the third quarter of 2020; (ii) considering the amount of non-operating payables of Shaanxi Jiahe to a group of common parties outweighs its non-operating receivables from the same group of common parties, the Company considers that no impairment is required for the said non-operating receivables; and (iii) amount due from Shaanxi Jiahe to the Group of RMB9.4 million will be fully repaid by Shaanxi Jiahe.

Valuation result of the BEV of Shaanxi Jiahe as at 31 December 2017 was approximately RMB13.2 million and thus impairment on amounts due from Xiaoyi Dajieshan of approximately RMB30 million, being the difference between the BEV minus the intragroup balances of RMB9.4 million and the outstanding amount due from Xiaoyi Dajieshan of RMB52.6 million, was recognised for in the income statement in the year of 2017. Details of the assumptions and results of the independent valuation are disclosed in note 16(c) to the consolidated financial statements.

The Company will take the following proactive measures to safeguard the assets of Shaanxi Jiahe, including without limitation, (i) to maintain contact and hold meetings with the relevant parties to discuss and resolve any potential technical issues of the title transfer of the said exploration rights and settlement of non-operating receivables and payables of Shaanxi Jiahe and to keep track of the progress of the above; (ii) to engage mine construction company or identify potential cooperative parties to jointly develop Project Huangjinmei as and when appropriate; and (iii) to consider any potential offers from interested buyers for the disposal of Shaanxi Jiahe if the terms are commercially viable and such disposal is in the interests of the Company and the shareholders as a whole. The Company will re-assess the value of assets of Shaanxi Jiahe based on the latest development of the above.

The Independent Investigation

In respect of the receipt of three unauthentic bank acceptances by the Group for settlement of consideration for the Disposal, the board of directors of the Company (the "Board") set up the special investigating committee on 21 March 2018 to investigate the Disposal and address other issues raised by the Company's auditors. The Independent Investigation Firm was engaged by the special investigating committee to conduct the independent investigation into such matters. Details of the key findings of the independent investigation have been disclosed in the Company's announcement dated 17 August 2018.

Based on the findings of the independent investigation, the special investigating committee is of the view that the Disposal was a legally binding transaction under the PRC laws and the Company had complied with the applicable reporting requirements under the Listing Rules. Further, the Board believes that the Group has taken various measures to protect the Group against losses that might arise from the Disposal. Such measures include but are not limited to the following: (i) the Group has repeatedly chased Xiaoyi Dajieshan for the outstanding payments under the Disposal. The Group eventually took legal action against Xiaoyi Dajieshan and the parties reached the settlement pursuant to which the Group retrieved the assets from Xiaoyi Dajieshan and obtained liquidated damages; and (ii) the Group has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems and has engaged a third party risk management and internal control review adviser to conduct annual review of the risk management and internal control systems including the payment and bills receipts systems of the Group. The Group will strive to improve its accounting, internal audit and financial reporting functions and will strive to ensure that the qualifications and experience of the relevant staff performing such functions will be adequate. Meanwhile, the Group reserves its rights to claim and take actions against any entity and/or individuals in connection with the same.

RESULTS REVIEW

Revenue and gross profit

For the year ended 31 December 2017, the Group carried out financial service and engineering service (2016: financial service) and recorded revenue of RMB22.8 million (2016: RMB25.6 million), representing a decrease of 11% compared with last year, primarily due to decrease in income from financial service business. During the year, revenue generated from engineering service and other related services amounted to RMB12.7 million (2016: nil). Cost of sales of RMB13.9 million (2016: RMB23.9 million) represented mainly the impairment loss on mining rights and mining assets of Hami Jiatai of RMB6.1 million as detailed below during the year (2016: borrowing cost of financial service). Gross profit margin for financial service and engineering service for the year was 82.6% (2016: 20.5%) and 77.3% (2016: nil) respectively.

For the year ended 31 December 2017 and 2016, the Group engaged an independent valuer to carry out a review of the recoverable amounts of its assets including the mining rights, land use rights, properties, plants and equipments. Impairment loss on mining rights, land use rights, or property, plant and equipment of Hami Jiatai of RMB6.1 million (2016: nil) was recognised during the year after taking into consideration of the valuation results of the independent valuer. The recoverable amount is determined based on the value-in-use calculation using cash flow projections, based on financial budgets approved by management and management's assumptions and estimates including forecast of selling prices of nickel and copper, discount rates, time to restart production and inflation rate on the cash generating unit of Hami Jiatai. There was no material change in the valuation methodology adopted during the year. Further details of changes in key assumptions and parameters adopted in the valuation as compared to those in previous year has been disclosed in notes 6 and 7 to the consolidated financial statements.

The key assumptions and parameters taken into account in the valuation of mining rights and mining assets of Hami Jiatai mainly include:

- The discount rate used in measuring value-in-use was 21% (2016: 21%), which is pre-tax and reflects the specific risk relating to the business;
- The price of nickel/copper used is derived from the forecast of Bloomberg;
- The production is expected to restart in 2020;
- 3% (2016: 3%) is adopted as inflation rate.

Though metal prices have rebound from its preceding low level, they were still below breakeven and thus the Group further delayed its production plan of Mine No.2 and Baiganhu. As a result, impairment loss on certain mining assets was made during the year. The Group will be closely monitoring the window to restart its mines production and will also look for cooperative partners to jointly develop the mines in order to maximize their economic values.

Administrative expenses

Administrative expenses for the year amounted to RMB56.5 million (2016: RMB33.2 million). They included mainly depreciation and amortization charges, consulting fees, staff costs, office overheads and a provision of RMB30 million (2016: nil) made for receivable from Xiaoyi Dajieshan in relation to the Disposal as detailed above.

Other gains/(losses) – net

Other gains for the year of approximately RMB4.1 million (2016: RMB0.3 million) mainly represented net gains transferred from other comprehensive income upon the disposal of the investment fund of approximately RMB5.1 million (2016: nil) and bargain purchase in respect of acquisition of Changshi of approximately RMB0.5 million (2016: acquisition of Jia Zhao Ventures Limited of RMB0.6 million) netting off against loss on disposal of the investment fund of approximately RMB1.3 million (2016: nil) during the year.

Finance costs – net

Finance cost for the year of approximately RMB3 million (2016: RMB2.8 million) mainly represented foreign exchange losses of approximately RMB3.5 million (2016: RMB1.6 million) during the year. In 2016, interest for long term borrowing of approximately RMB1.3 million was recognised. No such interest was recorded during the year.

Income tax expense

Income tax expense for the year was approximately RMB1.8 million (2016: RMB1.3 million), mainly representing current taxation arising from operations of Jiayi and Changshi (2016: Jiayi) of approximately RMB3.4 million (2016: RMB1.3 million).

Loss attributable to the equity holders of the Company

Loss attributable to equity holders of the Company for the year was approximately RMB46.1 million (2016: RMB34.6 million). The increase of loss was primarily due to the provision for receivables from Xiaoyi Dajieshan of approximately RMB30 million as stated above during the year.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held as at 31 December 2017.

As at 31 December 2016, the Group held investment in a fund, which was a limited partnership focusing on mining and natural resources industries and has been classified as an available-for-sale financial instrument in the consolidated balance sheet of the Group, of approximately RMB114.8 million. The fund has been early terminated by the general partner in its sole discretion pursuant to terms of the limited partnership agreement in December 2016. Accordingly, the general partner has in its sole discretion caused the fund to make the final distribution to all Class B limited partnership interests (i.e., the Company) in February 2017. Net proceeds of approximately HK$76.9 million (equivalent to RMB68 million) was fully collected after netting off against the long-term borrowings of approximately HK$51.5 million (equivalent to RMB46 million).

MATERIAL ACQUISITIONS AND DISPOSALS

Save as acquisition of Changshi as detailed above, there were no other material acquisitions and disposals during the year.

LIQUIDITY AND FINANCIAL REVIEW

The Group financed its day to day operations by internally generated cash flow and net proceeds from disposal of investment fund of approximately RMB68 million during the year. Primary uses of funds during the year was mainly payment of operating expenses.

As at 31 December 2017, current assets of approximately RMB238.3 million (2016: RMB489.6 million) were comprised of inventories of RMB3.0 million, trade receivables of RMB 9 million, other receivables and prepayments of RMB171.8 million and cash and cash equivalents of RMB 54.4 million. Current liabilities of approximately RMB38.4 million (2016: RMB365.0 million) were mainly comprised of trade payables of RMB 12.2 million, other payables and accruals of RMB21 million, income tax payable of RMB 4.1 million and borrowings of RMB1 million. Current ratios, being total current assets to total current liabilities, were 6.21 as at 31 December 2017 (2016: 1.34).

As at 31 December 2017, there was no outstanding interest-bearing bank loan (2016: nil). As at 31 December 2017, there was a unsecured loan of RMB1 million (2016: nil) which was interest bearing of 10% per annum. As at 31 December 2016, borrowings of HK$50,000,000 (equivalent to RMB44,726,000) together with interest payable of HK$1,452,000 (equivalent to RMB1,299,000) were classified as current portion of long-term borrowings. There were no such borrowings as at 31 December 2017.

The Group conducted its continuing operational business transactions mainly in Renminbi and Hong Kong dollars. The Group did not arrange any forward currency contracts for hedging purposes.

GEARING RATIO

Gearing ratio of the Group is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 31 December 2017, the gearing ratio was 0% (2016: 6.38%).

CHARGES ON COMPANY'S ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no contracted capital expenditure (2016: nil).

As at 31 December 2017, the future aggregate minimum lease payments under non-cancellable operating leases of various offices were approximately RMB7.6 million (2016: RMB4.7 million).

There was no charge on the Company's assets as at 31 December 2017 (2016: Nil).

The Group may be subject to new environmental laws and regulations that may impose contingencies upon the Group in the future. The Group may also be subject to the effect of under-insurance on future accidents incurred by the employees. Such (i) new environmental laws and regulations; and (ii) under insurance on the employees may impose costs and liabilities on the Group.

Save as disclosed above, as at 31 December 2017, the Group had no material contingent liability (2016: nil).

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2017, the Group employed 58 employees (2016: 45). The total staff costs (including directors' emoluments) for the year were approximately RMB12.2 million (2016: RMB9.4 million). The salaries of employees largely depend on their job nature, performance and length of service with the Group. The directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group. In addition to the basic remuneration, the Group also provides employees with employees benefits, including pension, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-job training, the Group provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop. Directors and employees, among others, are entitled to participate in the share option scheme at the discretion of the board. No share option was granted/exercised and outstanding as at 31 December 2017.

FUTURE OUTLOOK

In view of recovery of global base metal markets, the Group continues to study and prepare a feasible re-launching production plan for the mines owned by the Group. The Group is also devoting reasonable resources into the existing financial service and engineering service business in order to maintain a balanced income growth. To catch the market opportunities, the Company plans to carry out more active operation and acquisition in the coming years to diversify the Group's business and broaden its revenue base.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Xiaobin (李曉斌)

Mr. Li, aged 48, holds an associate degree in engineering and civil architecture at the Yangquan Coal Institute (陽泉煤炭專科學校) in Shanxi Province and a bachelor's degree in oil and gas storage and transportation engineering at the Continuing Education School of the China University of Petroleum (East China) (中國石油大學(華東)繼續教育學院). He worked at Shanxi Economic Construction Investment Group Co., Ltd. (山西經濟建設投資有限公司) from July 1992 to April 1994, and served as a project manager of Shanxi Finance Leasing Co., Ltd. (山西融資租賃有限公司) from April 1994 to July 2002. From July 2002 to August 2007, Mr. Li acted as deputy manager of Shanxi Coal Transportation and Marketing Corporation, Yangquan Branch (山西省煤運總公司陽泉分公司), manager of Shanxi Coal Transportation and Marketing Corporation Road Company (公路公司) and chairman of Yangquan Tongyuan Coal Transportation and Marketing Co., Ltd. (陽泉通源煤炭運銷有限公司). He was the chairman of Shanxi Natural Gas Co., Ltd. (山西天然氣股份有限公司) from August 2007 to July 2013, a director of Shanxi Guoxin Energy Development Group Co., Ltd. (山西省國新能源發展集團有限公司) from March 2013 to March 2017 and the deputy chairman of Shanxi Guoxin Energy Corporation Ltd. (山西省國新能源股份有限公司), which is listed on the Shanghai Stock Exchange (Stock code: 600617), from December 2013 to March 2017. Currently, he is also the director of Warburg Energy Development Limited (北京中海沃邦能源投資有限公司) ("Warburg").

Mr. Li was appointed as an executive director on 5 April 2017 and chairman of the Company on 23 May 2017.

Mr. Liu Huijie (劉慧杰)

Mr. Liu, aged 51, holds a bachelor's degree in mechanical design and manufacturing from the Department of Precision Instruments and Mechanics of Tsinghua University. He was the technical director of Shijiazhuang High-efficiency Heat Exchanger Components Plant (石家莊高效換熱元件總廠) from 1990 to 1995 and the general manager of Shijiazhuang Changda Electromechanical Co., Ltd. (石家莊昌達機電有限公司) from 1995 to 2000. He was assistant to president and manager of general department and human resource department of Hebei Kedi Pharmaceutical Co., Ltd (河北科迪藥業有限公司) from 2000 to 2002, general manager of Shijiazhuang Jieli Electromechanical Co., Ltd. (石家莊捷利機電有限公司) from 2002 to 2010 and general manager of Shanxi Jindafeng Natural Gas Development Co., Ltd. (山西金達豐天然氣開發有限公司) from 2005 to 2012. Mr. Liu has been the chairman of Shanxi Huifeng Xingye Gas Group Co., Ltd. (山西滙豐興業燃氣集團有限公司) since 2012. Currently, he is also the director of Warburg.

Mr. Liu was appointed as an executive director on 20 April 2017.

Ms. Jia Dai (賈岱)

Ms. Jia, aged 33, holds a bachelor's degree in international finance from Beijing Normal University, Zhuhai and a master's degree in finance from the University of Illinois at UrbanaChampaign. She worked at the international business department of Guangdong Development Bank Zhuhai Branch from 2008 to 2009 and at Zhonghong Zhuoye Group Company Limited (中弘卓業集團有限公司) as head of financing department and assistant to vice president from 2012 to 2016. She has been manager of investment and financing department of Warburg since 2016.

Ms. Jia was appointed as an executive director on 20 April 2017.

Ms. Wang Qian (王茜)

Ms. Wang, aged 42, is an executive director. She joined the Group in January 2016. She has over 15 years of experience in finance, investment and management area. From October 2001 to June 2002, Ms. Wang was employed by PricewaterhouseCoopers Consulting, a company principally engaged in the provision of management consulting services, where she served as a consultant and was primarily responsible for enterprise strategy and financial management consultation. Ms. Wang successively acted as a senior manager of the finance strategy & business development department at the US headquarters of Goodyear Tire & Rubber Company and the Asia-Pacific region Finance Director of Goodyear Engineered Products Company from July 2004 to March 2009, Goodyear's principal business is manufacturing tires and rubber products, where she was primarily in charge of mergers and acquisitions, and annual operation planning, as well as organizing and supervising the financial activities for Asia Pacific region, After Goodyear Engineered Products Company was acquired by The Carlyle Group, Ms. Wang had led several acquisitions and restructuring projects. Since March 2009, Ms. Wang has served as the president of HIXIH Investment, a company principally engaged in the business of equity and securities investment, and Ms. Wang is primarily responsible for company management and investment business, She has accomplished and participated in several IPOs in New York Stock Exchange, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Shanghai Stock Exchange for companies in finance, energy and resources, culture industries. Ms. Wang received a certificate of Certified Public Accountant granted by the Accountancy Board in the USA in October 2005. Ms. Wang received her bachelor's degree of economics from the Central University of Finance and Economics in July 1998. Ms. Wang received her Master of Business Administration degree from the Carnegie Mellon University in the USA in May 2004.

Ms. Wang was appointed as an executive director on 26 January 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cao Shiping (曹仕平)

Mr. Cao, aged 69, is an independent non-executive director. He graduated from the Kunming University of Science and Technology (昆明工學院) (now known as Kunming University of Science and Technology (昆明理工大學) in 1975 majoring in mining. Mr. Cao has the qualification of chief senior engineer and approximately 30 years of experience in mining industry. From 1975 to 1998, Mr. Cao worked for various positions in Dayao Copper Mine (大姚銅礦). During his tenure, Mr. Cao obtained several awards of Yunnan Province Science and Technology Advancement Division Three (雲南省科學技術進步三等獎) granted by Yunnan Province government in the years of 1990, 1992, 1996 and 1997 for his contribution towards technology advancement in various projects. In 1993, Mr. Cao was also awarded as a Model Worker (勞動模範) in the PRC nonferrous metal industry by China Nonferrous Metals Industry Company (中國有色金屬工業總公司) and China National Machinery Metallurgy Union (中國機械冶金工會). The significant contributions by Mr. Cao in engineering also resulted him in receiving the prestigious governmental special allowance granted by the State Council of the People's Republic of China from 1993. Since 1998, Mr. Cao joined Yunnan Copper (Group) Company Limited (雲南銅業(集團)有限公司) for various senior technical positions and currently holds the consultant position. Mr. Cao was admitted as a certified senior Enterprise Risk Manager in 2006.

Mr. Cao was appointed as an independent non-executive director on 16 December 2011.

Ms. Xiang Siying (項思英)

Ms. Xiang, aged 55, holds Bachelor's Degree in Agriculture Economics from China Agriculture University (now known as China Agriculture University) in 1986 and Master's Degree in Finance and Economics from Zhongnan University of Economics, Finance and Laws, China as well as The Research Institute of Finance and Economics of China in 1988. Ms. Xiang also holds a Master Degree in Business Administration from London Business School in 1999. She is a currently a consultant for CDH Investments ("CDH") and has had a long career in investment, banking and financial advisory services. From June 2010 to April 2016, Ms. Xiang had worked for CDH as an executive director; and before that from March 2004 to June 2010 she worked for China International Capital Corporation in its Direct Investment Department and Investment Banking Department as an executive director. Prior to returning China in early 2004, Ms. Xiang was an investment officer of Global Manufacturing and Service Department and East Asia and Pacific Department of International Finance Corporation ("IFC"), the World Bank Group, in Washington DC from August 1996 to March 2004, and before that Ms. Xiang was an investment analyst of IFC's representative office in China. From July 1988 to July 1991 Ms. Xiang served as an officer of Ministry of Agriculture China, in its Department of World Bank Agriculture Project Management and Department of Rural Reform Research and Farm Management. Currently, Ms. Xiang has been both independent non-executive directors of China Ocean Industry Group Limited, a company listed on the Stock Exchange with stock code 651 since May 2008 and Titan Petrochemicals Group Limited, a company listed on the Stock Exchange with stock code 1192 since July 2015.

Ms. Xiang was appointed as an independent non-executive director on 6 September 2017.

Ms. Huang Mei（黃梅）

Ms. Huang, aged 39, obtained a bachelor's degree in Management and a master degree in Accountancy from Tsinghua University. She is a member of the Chinese Institute of Certified Public Accountants. Ms. Huang has over 15 years' experience in accounting, auditing and corporate management. She has worked in PricewaterhouseCoopers Zhong Tian LLP, an international accounting firm, from August 2003 to July 2015. She has also been the financial controller of Alibaba Pictures Group Limited (a company listed on the Stock Exchange with stock code: 1060) from July 2015 to July 2018. Currently she is the chief financial officer of a startup company.

Ms. Huang was appointed as an independent non-executive director on 19 October 2018.

SENIOR MANAGEMENT

Mr. Ip Wing Wai (葉永威)

Mr. Ip, aged 40, is qualified accountant, company secretary and the chief financial officer of the Company. Mr. Ip holds a Bachelor degree in Business Administration in Accounting from the Hong Kong University of Science and Technology. He is a member of The Hong Kong Institute of Certified Public Accountants since 2004. He joined the Group since August 2011. Mr. Ip is responsible for the Group's overall financial reporting and company secretarial functions of the Group. Mr. Ip possesses approximate 18 years of experience in accounting, auditing and corporate field. Mr. Ip worked in an international accounting firm for auditing and Beijing Enterprises Holdings Limited (Stock Code: 392) as an accounting manager. During September 2006 to August 2008, Mr. Ip served as a finance manager and company secretary in a Chinese coal investment company. He was in charge of financial reporting, corporate finance, merger and acquisition and company secretarial matters and he also coordinated the audit work and due diligence work of a transaction in selling the company's interest in three coal mines in Shanxi to Shougang Fushan. He then worked with Shougang Fushan as a senior finance manager from September 2008 to March 2010. During the tenure, he was mainly responsible for the Group's financial reporting, project evaluation, regulatory compliance and investors relationship. Prior joining the Group, Mr. Ip has worked for King Stone Energy since April 2010.

Mr. Huang Kenian (黃可年)

Mr. Huang, aged 43, is the vice president of the Company, He joined the Group since January 2008, and is responsible for direct investment and corporate finance. Mr. Huang holds a Bachelor degree in Economics from the Finance and Banking Institute of China (中國金融學院) (now University of International Business and Economics (對外經濟貿易大學). Mr. Huang has over 20 years experience in corporate finance and merge and acquisition field. During the period from November 2003 to October 2009, Mr. Huang served as a vice president of China Coal and Coke Investment Fund L.P. (the "Partnership") and China Coal and Coke Investment Holding Company Limited. He was one of responsible persons in charge of the foundation of the Partnership which established on 4 February 2005. His main responsibilities included due diligence work on target companies, preparation for business development plan and liaison with different professional parties. Mr. Huang involved in the investment in Fortune Dragon in mid of 2005. The Partnership exited its investment in Fortune Dragon in July 2008 with satisfactory return on investment. From January 2005 to July 2008, Mr. Huang worked as a general manager of capital market department in Fortune Dragon. During his tenure with Fortune Dragon, he successfully procured a fund raising exercise of USD160 million through an international bank for the investment of three coal mines in Shanxi in March 2006, led a task force of the initial public offerings of the company during the period from June 2006 to May 2007 and coordinated the deal of selling the company's interest in three coal mines to Shougang Fushan. Between 1998 to 2003, he worked in various companies, including Guofu Investment Management Co., Ltd. (國富投資管理有限公司), Beijing Xintong Media & Cultural Investment Co., Ltd. (北京信通傳之媒文化投資有限公司) and Beijing Jianhao Industrial Co., Ltd. (北京建昊實業有限公司).

Mr. Zhou Jianzhong (周建忠)

Mr. Zhou, aged 46, is the legal representatives of Hami Jinhua, Hami Jiatai and Shaanxi Jiahe. He joined the Group in May 2017. Mr. Zhou holds a Bachelor degree in Industrial and civil architecture from Hebei University of Architecture (河北建築工程學院) and certificate of completion of postgraduate course of Road and railway construction from Shijiazhuang Tiedao University (石家莊鐵道大學). He is a certified constructor of the PRC and has over 20 years in construction and engineering management field. From August 1997 to April 2007, Mr. Zhou served as engineer of China Railway 17th Bureau Group Construction Company Limited (中鐵十七局集團建築工程有限公司). From May 2008 to February 2017, Mr. Zhou was the chief executive of Shanxi Zi Feng Technology Company Limited (山西紫峰科技有限公司) responsible for corporate management and technical services in respect of lands involved in various projects.

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands in preparation for a listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company issued 250,000,000 ordinary new shares of HK$0.1 each at a subscription price of HK$1.7 per share pursuant to the public offering. The Company's shares including these new shares were listed on the main board of Hong Kong Stock Exchange Limited on 12 January 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the mining, ore processing and sales of nickel, copper, lead and zinc products, financial service and engineering and other related services business in the People's Republic of China (the "PRC"), details of which are set out in Note 9 to the consolidated financial statements. Save for commencement of engineering and other related services business, there were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Details of business review, financial performance and future development of the Group's business are set out in the "Management Discussion and Analysis" from pages 6 to 13.

Principal Risks and Uncertainties

There are various risks and uncertainties including business risks, operational risks, and financial risks that may have different levels of impact on the Group's financial performance, operations, business as well as future prospects.

For risks and uncertainties relating to the business and operation, certain projects of the Group have finite and relatively short estimated mine life and there are uncertainties to acquire new mining projects. The business and results of operations are also susceptible to volatility in commodity prices and economic cyclicality. In addition, as all the existing mining projects are located in the PRC, the Group's business, financial condition, results of operations and prospects are greatly affected by political, economic and legal developments and changes to government policies in the PRC. If any stricter regulations regarding the Group's operation or the mining industry are enacted in the future, business and operation of the Group may also be significantly impacted and there are uncertainties to renew the mining and exploration permits or obtain relevant approvals from the government.

Details of financial risks are set out in Note 3 to the consolidated financial statements.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates.

The Group's operations are subject to a variety of PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. These laws and regulations govern a broad range of environmental matters, such as mining control, land rehabilitation, air emissions, noise control, discharge of wastewater and pollutants, waste disposal and radioactive element disposal control. The PRC government has taken an increasingly stringent stance on the adoption and enforcement of rigorous environmental laws and regulations, which could have a material adverse effect on financial condition and results of operations and could incur additional costs.

The Group was in compliance with all relevant PRC laws and regulations regarding environmental protection in all material respects and was not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the year. The Group is also committed to allocate operating and financial resources to ensure environment protection compliance as required by applicable PRC laws and regulations. As at 31 December 2017, the provision for close down, restoration and environmental costs was approximately RMB3.2 million (2016: RMB3.2 million), details of which are set out in Notes 21 and 34(a) to the consolidated financial statements.

Compliance with the Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of noncompliance with the applicable rules and regulations. The Group's operations are mainly carried out in the PRC and Hong Kong while the shares of Company are listed on the Stock Exchange. Hence, the Group shall comply with relevant laws and regulations in the PRC, Hong Kong and the respective places of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Rules Governing the Listing of Securities on the Stock Exchange and other relevant regulations.

The Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year. Save as delay in publication of the annual results of the Group for the year ended 31 December 2017, there was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 December 2017.

Relationship with Employees, Customers and Suppliers and other Stakeholders

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. There were no material and significant dispute between the Group and its key stakeholders that have a significant impact on the Group during the year.

The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2017 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 44 to 117.

The directors do not recommend the payment of any dividend for the year ended 31 December 2017.

DISTRIBUTABLE RESERVES

The Company's distributable reserves consist of share premium and retained earnings, if any.

Under the Companies Law of the Cayman Islands, the share premium account is distributable to shareholders if immediately following the date on which the Company proposes to distribute the dividend, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2017, the Company had a reserve balance of RMB343,430,000, representing share premium of RMB668,768,000 net of accumulated losses of RMB325,338,000, available for distribution to the shareholders.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 118. This summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in Note 18 to the consolidated financial statements. There was no movement in the Company's share capital during the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a prorata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's share during the year ended 31 December 2017.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 100% of the total sales for the year and sales to the largest customer included therein amounted to 73.6% of the total sales. Purchases from the Group's five largest suppliers accounted for 54.3% of the total purchases for the year. The largest supplier accounted for 24.5% of the total purchases for the year.

None of the directors of the Company or any of their respective close associates (within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange (the"Listing Rules")), or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's above-mentioned customers and supplier.

DIRECTORS

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

Executive directors:

Mr. Li Xiaobin *(Chairman)*	(appointed on 5 April 2017)
Mr. Wang Dayong	(resigned on 23 May 2017)
Mr. Liu Huijie	(appointed on 20 April 2017)
Ms. Jia Dai	(appointed on 20 April 2017)
Mr. Sun Zhong	(resigned on 5 January 2017)
Mr. Shou Xuancheng	(resigned on 20 April 2017)
Mr. Xu Zucheng	(resigned on 20 April 2017)
Ms. Wang Qian	
Mr. Yu Liyong	(appointed on 6 September 2017 and resigned on 19 December 2017)

Independent non-executive directors:

Mr. Cao Shiping	
Ms. Sun Zhili	(appointed on 1 July 2017 and resigned on 19 October 2018)
Ms. Xiang Siying	(appointed on 6 September 2017)
Mr. Cao Kuangyu	(resigned on 6 September 2017)
Mr. Song Shaohuan	(resigned on 1 July 2017)
Ms. Huang Mei	(appointed on 19 October 2018)

In accordance with the Company's articles of association, (i) directors appointed shall hold office until the forthcoming annual general meeting and eligible for re-election and (ii) at each annual general meeting one-third of directors shall retire from office by rotation. Mr. Li Xiaobin, Ms. Wang Qian, Mr. Cao Shiping, Ms. Xiang Siying and Ms. Huang Mei will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 14 to 18.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The remuneration of the directors are determined by the remuneration committee of the Company with reference to the directors' duties, responsibilities and performance and the results of the Group. Further details of the Company's remuneration committee are set out in the corporate governance report on pages 28 to 36 of the annual report.

PERMITTED INDEMNITY

Pursuant to the articles of association of the Company, the directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the directors of the Company.

The Company has arranged appropriate insurance cover in respect of relevant actions against its directors during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, none of the directors or the chief executives of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notifi ed to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

No directors of the Company or his associate has engaged in any business which competes or is likely to compete directly or indirectly with that of the Group.

EQUITY LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

Share Option Scheme

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of encouraging the eligible participants to work towards enhancing the value of the Company and shareholders as a whole. Eligible participants of the Share Option Scheme include directors, officers, employees and consultants of any member of the Group. The Share Option Scheme became effective on 16 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Initially the maximum number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 100,000,000 shares, being 10% of the aggregate of the shares in issue as at the listing date. However the Company may refresh this 10% limit with shareholders' approval provided that each such limit (as refreshed) may not exceed the 10% of the shares in issue as at the date of the shareholders' approval. The total number of shares which may be issued upon exercise of all share options granted and yet to be exercised under the Share Option Scheme or any other share option schemes must not exceed 30% of the shares in issue from time to time.

The maximum number of shares issued and to be issued upon exercise of the share options granted to each participant under the Share Option Scheme in any 12 month period must not exceed 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval. Each grant of share options to any director, chief executives or substantial shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). Where any grant of share options to a substantial shareholder or an independent non-executive director, or any of their respective associates, in excess of 0.1% of the shares in issue or with an aggregate value (based on the closing 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 amount payable on acceptance of an option is HK$1.00, which must be paid within 14 days from the date on which the letter containing the offer of option is delivered to that participant. The period within which the share options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant date of grant. The Share Option Scheme does not contain the minimum period for which an option must be held before it can be exercised.

The exercise price of the share options is determined by the directors of the Company, but will no less than the higher of (a) the closing price of the shares on the date of grant; (b) the average closing price of the shares for the five business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

The Company has not granted any share option under the Share Option Scheme during the year. There was no outstanding share option as at 31 December 2017.

Saved as disclosed above, at no time during the year, the directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries, fellow subsidiaries and parent company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PERSON WHO HAVE AN INTEREST IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

So far as was known to the directors and the chief executive of the Company, as at 31 December 2017, the following persons (not being directors or chief executive of the Company of which interests were disclosed above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of interest	Total interests in shares	Approximate percentage of the Company's issued share capital
Sky Circle International Limited	Beneficial owner (Note 1)	412,592,702 (L)	25.47%
Mr. Guo Jianzhong	Interest in a controlled corporation and beneficial owner (Note 1)	454,958,702 (L)	28.08%
Affinitiv Mobile Ventures Ltd	Beneficial owner (Note 2)	320,000,000 (L)	19.75%
China Huarong Asset Management Co., Ltd.	Interest in a controlled corporation (Note 2)	320,000,000 (L)	19.75%
China Huarong Overseas Invesment Holdings Co., Limited	Interest in a controlled corporation (Note 2)	320,000,000 (L)	19.75%

Name	Nature of interest	Total interests in shares	Approximate percentage of the Company's issued share capital
Ministry of Finance of the People's Republic of China	Interest in a controlled corporation (Note 2)	320,000,000 (L)	19.75%
Sun Siu Kit	Interest in a controlled corporation (Note 2)	320,000,000 (L)	19.75%
Huarong Zhiyuan Investment & Management Co., Ltd. (華融致遠投資管理有限責任公司)	Interest in a controlled corporation (Note 2)	320,000,000 (L)	19.75%
Huarong Overseas Chinese Asset Management Co., Ltd. (華融華僑資產管理股份有限公司)	Interest in a controlled corporation (Note 2)	320,000,000 (L)	19.75%
Guangdong Kam Fung Group Company Limited (廣東錦峰集團有限公司)	Interest in a controlled corporation (Note 2)	320,000,000 (L)	19.75%
Legend Vantage Limited	Beneficial owner (Note 3)	188,638,883 (L)	11.64%
Mr. Li Guangrong	Interest in a controlled corporation (Note 3)	188,638,883 (L)	11.64%
Ms. Gao Miaomiao	Interest in a controlled corporation (Note 3)	188,638,883 (L)	11.64%

Remarks: (L): Long position; (S) Short position

Notes:

1. Mr. Guo Jianzhong is the legal and beneficial owner of the entire issued share capital of Sky Circle International Limited which holds 412,592,702 shares of the Company. Mr. Guo also holds 42,366,000 shares of the Company.

2. Affinitiv Mobile Ventures Ltd is wholly owned by China Huarong Overseas Invesment Holdings Co., Limited which is wholly owned by Huarong Overseas Chinese Asset Management Co., Ltd. Huarong Zhiyuan Investment & Management Co., Ltd. and Guangdong Kam Fung Group Company Limited held 51% and 40% of equity interest of Huarong Overseas Chinese Asset Management Co., Ltd. respectively.

   Huarong Zhiyuan Investment & Management Co., Ltd. is wholly owned by China Huarong Asset Management Co., Ltd., and Ministry of Finance of the People's Republic of China held 67.75% of equity interest of China Huarong Asset Management Co., Ltd.

   Guangdong Kam Fung Group Company Limited is wholly owned by Hong Kong Kam Fung Group Company Limited which is wholly owned by Sun Siu Kit.

3. Each of Mr. Li Guangrong and Ms. Gao Miaomiao holds 50% of issued share capital of Legend Vantage Limited.

Save as disclosed above, as at 31 December 2017, the directors and the chief executive of the Company were not aware of any other person who had, or was deemed to have, interests and/or short positions in the shares or underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 39 to the consolidated financial statements.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers.

ON BEHALF OF THE BOARD

Li Xiaobin
Chairman

Hong Kong, 10 December 2018

REPORT ON CORPORATE GOVERNANCE

INTRODUCTION

The Company is committed to maintain a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules during the year except for provision A4.1 of the Code as explained in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model code") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the directors. Having made specific enquiry of all directors, the directors confirm that they have complied with the required standard as set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board of directors (the "Board") is principally accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, strategic directions, financial performance, setting objectives and business development plans, and monitoring the performance of the senior management.

The Board, with balance of skills and experience, meets regularly to formulate overall strategy, monitor business development as well as the financial performance of the Group and has formal procedures on matters for consideration and decision. The Board has delegated certain authorities to the senior management for the day-to-day management of the Group's operation.

The directors have no financial, business, family or other material/relevant relationship among themselves.

The Company has received the annual confirmation of independence from each of the independent non-executive directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors, namely Mr. Cao Shiping, Ms. Xiang Siying and Ms. Huang Mei, to be independent of the Company.

The Board is also responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance; reviewing and monitoring the training and continuous professional development of directors and senior management and the Company's policies and practices on compliance with legal and regulatory requirements; etc. It is also the practice of the Group to engage and consult financial advisors and legal advisors in conducting its various transactions and in its daily operations in order to ensure compliance with legal and regulatory requirements. The Group has also adopted the policy that all business transactions conducted by the Group must strictly comply with relevant laws and regulations. The Board reviews and monitors whether such policy and practices have been followed by the management and employees of the Group from time to time.

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The attendance of each director at the Board meetings, certain committee meetings and general meetings during the year is as follows:

	Attended/Eligible to attend				
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Executive directors:					
Mr. Li Xiaobin (Chairman) (appointed on 5 April 2017)	2/2	N/A	N/A	N/A	1/1
Mr. Wang Dayong (resigned on 23 May 2017)	2/2	N/A	N/A	N/A	0/0
Mr. Liu Huijie (appointed on 20 April 2017)	2/2	N/A	N/A	N/A	0/1
Ms. Jia Dai (appointed on 20 April 2017)	2/2	N/A	N/A	N/A	1/1
Mr. Sun Zhong (resigned on 5 January 2017)	1/1	N/A	N/A	N/A	0/0
Mr. Shou Xuancheng (resigned on 20 April 2017)	1/2	N/A	N/A	N/A	0/0
Mr. Xu Zucheng (resigned on 20 April 2017)	1/2	N/A	N/A	N/A	0/0
Ms. Wang Qian	3/4	N/A	1/1	1/1	1/1
Mr. Yu Liyong (appointed on 6 September 2017 and resigned on 19 December 2017)	1/1	N/A	N/A	N/A	0/0
Independent non-executive directors:					
Mr. Cao Shiping	3/4	2/2	N/A	N/A	1/1
Ms. Sun Zhili (appointed on 1 July 2017 and resigned on 19 October 2018)	2/2	1/1	1/1	1/1	0/0
Ms. Xiang Siying (appointed on 6 September 2017)	1/1	N/A	1/1	1/1	0/0
Mr. Cao Kuangyu (resigned on 6 September 2017)	2/3	2/2	0/0	0/0	1/1
Mr. Song Shaohuan (resigned on 1 July 2017)	1/2	1/1	0/0	0/0	1/1
Ms. Huang Mei (appointed on 19 October 2018)	0/0	0/0	0/0	0/0	0/0

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under provision A2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Li Xiaobin is the chairman while the duties of chief executive officer has been taken up by other executive directors and senior management of the Company. The Board considers that the structure did not impair the balance of power and authority between the Board and the management of the Group, which was ensured by the operations of the board committees which comprise experienced and high calibre individuals.

TERMS OF NON-EXECUTIVE DIRECTORS

Under provision A4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive directors of the Company are not appointed for a specific term but all of them are subject to retirement by rotation in accordance with the Articles of Association of the Company. The Board considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those in the Code.

REMUNERATION OF SENIOR MANAGEMNET

The remuneration of the members of the senior management by band for the year ended 31 December 2017 is set out below:

Remuneration bands	Number of persons
Up to HK$1,000,000 (up to RMB894,500 equivalents)	2
HK$1,000,001 and above (RMB894,501 equivalents and above)	1

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") on 16 December 2011 with written terms of reference which are in line with the code provisions set out in the Code. The Audit Committee meets at least twice a year for reviewing the reporting of annual and interim results and other information to the shareholders, and the effectiveness and objectivity of the audit process. Additional meetings may be held by the Audit Committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The external auditors of the Company may request a meeting if they consider that one is necessary. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors. The Audit Committee currently consists of Ms. Huang Mei as chairman and Mr. Cao Shiping and Ms. Xiang Siying as members. All of them are independent non-executive directors.

The Audit Committee is also responsible for performing the functions set out in the provision D.3.1 of the Code. The Audit Committee reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct and compliance manual (if any) applicable to employees and Directors, the compliance of the Listing Rules, and the Company's compliance with the Code and disclosure in this Corporate Governance Report.

During the year, the Audit Committee reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the annual results for the year ended 31 December 2016 and interim results for the six months ended 30 June 2017.

REMUNERATION COMMITTEE

A remuneration committee ("Remuneration Committee") of the Group was established on 16 December 2011 with written terms of reference in line with the Code. The responsibilities of the Remuneration Committee include considering and recommending to the Board the Group's remuneration policy and structure and reviewing and determining the remuneration packages of the directors and senior management. The directors were remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. Details of remunerations of the directors for the year are disclosed in Note 32 to the consolidated financial statements.

The Remuneration Committee currently comprises two independent non-executive directors, Ms. Xiang Siying as chairman and Ms. Huang Mei, and one executive director, Ms. Wang Qian. The Remuneration Committee held one meeting to review the existing remuneration policy and structure of the Company during the year.

NOMINATION COMMITTEE

A nomination committee ("Nomination Committee") of the Group was established on 16 March 2011 with written terms of reference in line with the Code. The responsibilities of the Nomination Committee include: (i) review and recommend the structure, size, composition and skills mix of the Board at least annually; (ii) identify and nominate candidates to fill casual vacancies of directors for the Board's approval; (iii) assess the independence of independent non-executive directors; (iv) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman of the Board and the chief executives. According to the board diversity policy adopted by the Nomination Committee, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee currently comprises one executive director, Ms. Wang Qian as chairman, and two independent non-executive directors, Ms. Xiang Siying and Ms. Huang Mei. The Nomination Committee held one meeting to review the Board composition during the year.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2017, the directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

Auditor's Responsibilities and Remuneration

An analysis of remuneration in respect of services provided by the auditor of the Group, PricewaterhouseCoopers, of the Group is as follows.

	RMB'000
Annual audit services	1,414
Services in respect of the possible acquisition during the year	375
	1,789

The statement of the auditor of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 37 to 43.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness. The Board oversees the overall risk management of the Group and endeavors to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. During the year, the Company has adopted and reviewed the effectiveness of the Group's internal control and risk management procedures which include the policies, procedures, monitoring and communication activities and standard of behavior established for safeguarding the interests of the shareholders of the Company. The risk management and internal control systems of the Company aim to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. However, the design of systems is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage, rather than eliminate, the risks of failure to achieve business objectives.

The processes used to identify, evaluate and manage significant risks by the Group are summarized as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness during the year. In order to strengthen the risk management and internal control systems of the Group, the following measures are adopted:

- established one internal compliance officer, Mr. Ip Wing Wai, the company secretary and chief financial officer, who will report to the Board directly on a monthly basis to ensure that operations of the Group are in compliance with applicable laws, rules and regulations, to strengthen the existing internal control framework and to recommend remedial plans to the Board should there be any internal control deficiencies;
- engaged a PRC legal advisor to provide advice to the Board and the designated compliance officers on an ongoing basis in respect of all relevant PRC laws and regulations, including changes to such laws and regulations, which may affect business operations of the Group in the PRC; and

- engaged APAC Compliance Consultancy and Internal Control Services Limited as risk management and internal control review adviser ("the Adviser") to conduct the annual review of the risk management and internal control systems for the year ended 31 December 2017. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The Adviser has reported findings and areas for improvement to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defects noted. All recommendations from the Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time.

The Board noted that in respect of certain payments (the "Payments") transacted in 2016 and 2017 by one particular subsidiary of the Company, which is an investment holding company, (i) no written agreements have been entered into by the relevant parties at the time when the Payments were made; and (ii) the nature and reasons for the Payments had not been properly recorded. In addition to the Payments, in February 2017, the Group received three bank acceptances of RMB10,000,000 which were forged for settlement of receivable from Xiaoyi Dajieshan.

In view of the above, the Company has engaged the Adviser to conduct an internal control review covering bank payment and receipts process and acceptance bills management process of the Group for the period from 1 January 2018 to 31 August 2018. It was noted that, despite certain gaps and exceptions identified by the Adviser which the Company has promptly enhanced by fine-tuning its existing practices, no material internal control deficiencies had been identified in such internal control review.

The financial management system manual of the Group has been amended in September 2018 to strengthen the internal control system of the Group. The Group will also conduct a progress review of the operation of the new measures to evaluate whether such measures have been properly implemented and whether any further refinements should be made.

Having considered the new measures adopted by the Company to specifically address certain possible areas of improvements in the financial management systems, and based on the annual review conducted by the Adviser which covers all material controls including financial, operational and compliance controls and risk management functions, the Board considers that the financial management systems have been further strengthened by virtue of various structural enhancements adopted by the Group, and the overall internal control systems of the Group remain adequate and effective. The Board is satisfied that there are adequate resources of staff with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

DIRECTORS' TRAINING

Each newly appointed director has received comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to directors at the Company's expenses whenever necessary. In-house briefings on the Listing Rules updates were organized for all directors, namely Mr. Li Xiaobin, Mr. Liu Huijie, Ms. Jia Dai, Mr. Wang Dayong, Mr. Yu Liyong, Mr. Sun Zhong, Mr. Shou Xuancheng, Mr. Xu Zucheng, Ms. Wang Qian, Mr. Cao Shiping, Mr. Cao Kuangyu, Mr. Song Shaohuan, Ms. Xiang Siying and Mr. Sun Zhili during the year.

COMPANY SECRETARY

During the year ended 31 December 2017, Mr. Ip Wing Wai, the Company Secretary, has taken no less than 15 hours of relevant professional training. Biographical details of Mr. Ip are set out in the section headed "Profiles of Directors and Senior Management" in this annual report.

SHAREHOLDERS' RIGHTS

The Board is endeavour to maintain an on-going dialogue with shareholders. The Company encourages the shareholders to attend the general meetings and the Chairmen of the Board and the board committees should attend the annual general meeting to answer questions.

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Investor Services Limited. For any enquiries to the Board, shareholders may send written enquiries to the Company, for the attention of company secretary, by email to enquiry@huili.hk, fax to (852) 2840 0470 or mail to Room 2805, 28/F, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

In accordance with the requirements and procedures set out in the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. 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. A shareholder who wishes to propose a resolution to be considered at a general meeting must requisition the convening of a general meeting in accordance with the Company's Articles of Association. The objects of the meeting must be stated in the written requisition, which must be signed by the requisitionists and deposited for the attention of the company secretary at the address stated above.

INVESTOR RELATIONS

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. To promote effective communication with the public, the Company maintains a website (www.huili.hk) on which comprehensive information about the Company's major businesses, press releases, notices, financial information, announcements, annual and interim reports and shareholders circulars are being made available.

There was no change in the Company's constitutional documents during the year ended 31 December 2017.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Huili Resources (Group) Limited
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

What we have audited

The consolidated financial statements of Huili Resources (Group) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 117, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our qualified opinion

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

BASIS FOR QUALIFIED OPINION

As described in Note 16 (c) to the consolidated financial statements, the Group had an outstanding receivable of RMB52,600,000 due from Xiaoyi Dajieshan Coal Industry Co., Ltd. ("Xiaoyi Dajieshan") as at 31 December 2017. Such a receivable arose since 2015 when the Group sold its 100% equity interest in a subsidiary called Shaanxi Jiahe Mining Co., Ltd. ("Shaanxi Jiahe") to Xiaoyi Dajieshan (the "Disposal"). Because Xiaoyi Dajieshan failed to repay the outstanding receivable of RMB52,600,000 according to the agreed repayment schedules, the Group initiated a civil litigation against Xiaoyi Dajieshan in January 2018 in a court in the People's Republic of China to recover the outstanding receivable. In May 2018, the relevant court issued a civil mediation order, and the two parties entered into a number of agreements, pursuant to which both parties agreed, among others, that the 100% Equity interest in Shaanxi Jiahe would be transferred back to the Group as a consideration for full settlement of the outstanding receivable of RMB52,600,000.

The transfer of the 100% equity interest in Shaanxi Jiahe was completed in May 2018. In order to assess whether there was any impairment of the receivable from Xiaoyi Dajieshan as at 31 December 2017, the Group appointed an independent valuer to ascertain the fair value of the 100% equity interest in Shaanxi Jiahe. The valuation was conducted based on the value-in-use calculations using cash flow projections of Shaanxi Jiahe and by reference to its management accounts at 31 December 2017. As described in Note 16 (c) to the consolidated financial statements, based on the results indicated in the valuation report the Group set aside an impairment provision of RMB30,041,000 against the receivable balance.

There are various significant judgments and assumptions adopted in the valuation as described in Note 16 (c) to the consolidated financial statements. However, the management was unable to provide sufficient and appropriate evidences for us to assess the following key assumptions that are essential to determine the fair value of the 100% equity interest in Shaanxi Jiahe:

- whether the title of the mining rights of Mine 2 will be transferred to Shaanxi Jiahe at no additional charges and, if so, whether Mine 2 will meet the legal requirements to commence commercial operation by 30 September 2020; and

- whether Shaanxi Jiahe's non-operating receivables due from certain independent third parties amounted to RMB17,770,000 will be fully recoverable in the near future.

There were no alternative procedures that we could perform to satisfy ourselves with respect to the validity of the above two key assumptions. Consequently, we were unable to assess the recoverable amount of the receivable from Xiaoyi Dajieshan as at 31 December 2017, and to determine whether any adjustment to the impairment provision against the receivable from Xiaoyi Dajieshan at 31 December 2017 was necessary.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

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

In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report:

- Impairment of mining structures and mining rights

- Provision for impairment of other receivables excluding the receivable from Xiaoyi Dajieshan

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Impairment of mining structures and mining rights	
Refer to Note 4 "Critical accounting estimates and judgements", Note 6 "Property, Plant and Equipment" and Note 7 "Mining Rights and Exploration Rights" to the Group's consolidated financial statements. Management appointed an independent valuer to carry out the valuation of the recoverable amount of the cash-generating unit ("CGU") of Hami Jinhua and Hami Jiatai including mining structures, mining rights, land use rights, properties, plants and equipment as at 31 December 2015 and 2016. The recoverable amount were determined based on the value-in-use calculation of the CGU of Hami Jinhua and Hami Jiatai. Consequently, management recognised accumulated impairment losses on mining structures and mining rights of Hami Jiatai of RMB39,059,000 at 31 December 2016 and no impairment loss was needed for Hami Jinhua.	We inquired management and considered the impairment indicators to assess the scope within which impairment testing was performed. We inquired with the independent valuer and assessed the appropriateness of the valuation model with the assistance of our internal valuation expert. We assessed the competence and objectivity of the independent valuer. We tested the key assumptions that management used in the valuation process: • For pre-tax discount rate, we compared it with the cost of capital for the Group and comparable companies, taking into consideration territory specific factors.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	*How our audit addressed the Key Audit Matter*
As the production was further postponed and uncertainty increased, management appointed an independent valuer to carry out the valuation of the recoverable amount of the CGU of Hami Jinhua and Hami Jiatai as at 31 December 2017, and a further impairment loss on mining structures and mining rights of Hami Jiatai of RMB6,137,000 was recognised for the year ended 31 December 2017. The calculation of value-in-use involved significant management judgement with respect to the key assumptions, such as pre-tax discount rate, estimated metal price, time to restart production and inflation rate. The key assumptions of the parameters have been disclosed in Note 6 and Note 7. We focused on this area due to the significance of long-term mining assets and the complexity of management judgements required in determining the impairment provision for long-term mining assets.	• For estimated metal price, we compared it with the historical data and forecast data from Bloomberg to assess the reasonableness. • For time to restart production, we obtained management's approval of production plan and interviewed management and the independent technical adviser to assess the economic and technical feasibility of the production plan. • For inflation rate, we compared it with the data published by National Bureau of Statistics of the People's Republic of China to assess the reasonableness. We tested the mathematical accuracy of the calculations in the valuation models. We assessed the adequacy of the sensitivity analysis performed by management. We considered management's judgements made in the impairment assessments are supportable based on the evidence derived from our work.
Impairment assessment of other receivables excluding the receivable from Xiaoyi Dajieshan	
Refer to Note 4 "Critical Accounting Estimates and Judgements" and Note 16 "Other Receivables and Prepayments" to the Group's consolidated financial statements. As at 31 December 2017, the total book value of the Group's long-term other receivables (RMB146,559,000) and other receivables (RMB268,161,000) were RMB414,720,000. Management made impairment provision of RMB68,086,000 against the other receivables of RMB362,120,000, excluding the amount due from Xiaoyi Dajieshan of RMB52,600,000. Management assesses the recoverability of other receivables at each period end, by performing specific assessment of recoverability and collective assessment based on risk characteristics taking into consideration the history of payment, debtor's financial position, disputes with debtors and post year-end settlement status.	Our work on assessing the impairment provision for other receivables excluding the receivable from Xiaoyi Dajieshan included: – We reviewed relevant contracts and performed confirmation procedure, on a sample basis, for the significant receivable balances excluding the receivable from Xiaoyi Dajieshan. – We tested the post year-end subsequent settlement of the Group's receivables, and compared subsequent settlement with settlement plan previously agreed with debtors. – We obtained the financial information of the debtor, from the publicly available information to evaluate the debtor's financial position.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (Continued)

Key Audit Matter	*How our audit addressed the Key Audit Matter*
We focused on this area because of the significance of other receivable balances excluding the receivable from Xiaoyi Dajieshan and the significant management judgements involved in determining the impairment provision.	– We corroborated management's assessment against available evidences, including examining the documents of the share charge and pledges which secure the receivables as to the existence and assessment of dispute with debtors. – We corroborated the measures adopted by management to secure the collectability of respective receivables, including examined the personal guarantees documents, and reviewed the guarantor's proof of assets, and obtained the legal opinion to ascertain the legality of the personal guarantee offered by the guarantor. We considered that management's judgements on other receivables provision (excluding the provision set aside for receivable from Xiaoyi Dajieshan) are supportable based on the evidences derived from our work.

OTHER INFORMATION

The directors of the Company are responsible for the other information as set out in the Company's 2017 Annual Report. The other information comprises all of 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.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee is responsible for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. We report our opinion 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 judgment 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- 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 the audit committee 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 Lee Chung Bor.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 December 2018

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2017	2016
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	61,516	60,729
Mining rights and exploration rights	7	94,539	99,300
Land use rights	8	8,856	9,099
Deferred tax assets	10	2,823	2,823
Refundable deposit	11	–	163,367
Restricted cash at banks	12	2,648	2,525
Other receivables and prepayments	16	146,559	109,123
Total non-current assets		316,941	446,966
Current assets			
Available for sale financial assets	13	–	114,825
Inventories	14	3,045	3,045
Trade receivables	15	8,975	100
Other receivables and prepayments	16	171,834	362,660
Cash and cash equivalents	17	54,410	8,970
Total current assets		238,264	489,600
Total assets		555,205	936,566
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	18	137,361	137,361
Share premium	18	668,768	668,768
Other reserves	19	(12,168)	(7,111)
Accumulated losses	20	(302,225)	(256,096)
		491,736	542,922
Non-controlling interests		(1,080)	977
Total equity		490,656	543,899

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Provision for close down, restoration and environmental costs	21	3,233	3,160
Deferred tax liabilities	10	22,960	24,548
Total non-current liabilities		26,193	27,708
Current liabilities			
Trade payables	22	12,226	1,318
Other payables and accruals	24	21,029	315,611
Income tax payable		4,101	2,005
Borrowings	23	1,000	46,025
Total current liabilities		38,356	364,959
Total liabilities		64,549	392,667
Total equity and liabilities		555,205	936,566

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 44 to 117 were approved by the Board of directors on 10 December 2018 and were signed on its behalf.

Li Xiaobin
Director

Jia Dai
Director

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2017	2016
	Note	**RMB'000**	RMB'000
Revenue	5,25	22,845	25,588
Cost of sales	26	(13,868)	(23,943)
Gross profit		8,977	1,645
Distribution expenses	26	–	(56)
Administrative expenses	26	(56,453)	(33,161)
Other gains – net	28	4,109	347
Operating loss		(43,367)	(31,225)
Finance income	29	493	210
Finance costs	29	(3,483)	(3,000)
Finance costs – net	29	(2,990)	(2,790)
Loss before income tax		(46,357)	(34,015)
Income tax expense	30	(1,829)	(1,254)
Loss for the year		(48,186)	(35,269)
Loss attributable to:			
Equity holders of the Company	31	(46,129)	(34,615)
Non-controlling interests		(2,057)	(654)
		(48,186)	(35,269)
Loss per share attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	31	(0.028)	(0.022)

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Loss for the year		(48,186)	(35,269)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Available-for-sale financial assets			
– Change in value of available-for-sale financial assets	13	–	2,539
– Transferred to profit or loss upon disposal	13	(5,057)	–
Other comprehensive (loss)/income for the year, net of tax		(5,057)	2,539
Total comprehensive loss for the year		(53,243)	(32,730)
Attributable to:			
Equity holders of the Company		(51,186)	(32,076)
Non-controlling interests		(2,057)	(654)
Total comprehensive loss for the year		(53,243)	(32,730)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital RMB'000 (Note 18)	Share premium RMB'000 (Note 18)	Safety funds RMB'000 (Note 19)	Maintenance funds RMB'000 (Note 19)	Capital reserve RMB'000 (Note 19)	Available for sale financial assets RMB'000 (Note 19)	Accumulated losses RMB'000 (Note 20)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	127,362	577,878	221	1,583	(13,972)	2,518	(221,481)	474,109	1,631	475,740
Comprehensive loss										
Loss for the year	–	–	–	–	–	–	(34,615)	(34,615)	(654)	(35,269)
Other comprehensive income										
Available-for-sale financial assets	–	–	–	–	–	2,539	–	2,539	–	2,539
Total other comprehensive income, net of tax	–	–	–	–	–	2,539	–	2,539	–	2,539
Total comprehensive profit/(loss)	–	–	–	–	–	2,539	(34,615)	(32,076)	(654)	(32,730)
Transactions with owners in their capacity as owners										
Proceeds from shares issued	9,999	90,890	–	–	–	–	–	100,889	–	100,889
Total transactions with owners in their capacity as owners	9,999	90,890	–	–	–	–	–	100,889	–	100,889
At 31 December 2016	137,361	668,768	221	1,583	(13,972)	5,057	(256,096)	542,922	977	543,899
Comprehensive loss										
Loss for the year	–	–	–	–	–	–	(46,129)	(46,129)	(2,057)	(48,186)
Other comprehensive income										
Available-for-sale financial assets	–	–	–	–	–	(5,057)	–	(5,057)	–	(5,057)
Total other comprehensive loss, net of tax	–	–	–	–	–	(5,057)	–	(5,057)	–	(5,057)
Total comprehensive loss	–	–	–	–	–	(5,057)	(46,129)	(51,186)	(2,057)	(53,243)
Transactions with owners in their capacity as owners										
Proceeds from shares issue	–	–	–	–	–	–	–	–	–	–
Total transactions with owners in their capacity as owners	–	–	–	–	–	–	–	–	–	–
At 31 December 2017	137,361	668,768	221	1,583	(13,972)	–	(302,225)	491,736	(1,080)	490,656

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash used in operations	33(a)	(17,955)	(32,056)
Income tax paid		(2,026)	–
Net cash used in operating activities		(19,981)	(32,056)
Cash flows from investing activities			
Net proceeds from disposal of available-for-sale financial assets after netting off the borrowings	13	68,016	–
Net cash generated from/(used in) acquisition of subsidiaries	36	764	(42)
Payments for property, plant and equipment		(2,612)	(64)
Interest received		493	210
Net cash generated from investing activities		66,661	104
Cash flows from financing activities			
Proceeds from borrowing	23	1,000	–
Repayment of borrowings		–	(62,582)
Interest paid		(100)	(390)
Net cash generated from/(used in) financing activities		900	(62,972)
Net increase/(decrease) in cash and cash equivalents		47,580	(94,924)
Cash and cash equivalents at beginning of year financial year		8,970	103,333
Exchange differences on cash and cash equivalents		(2,140)	561
Cash and cash equivalents at end of year	17	54,410	8,970

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Huili Resources (Group) Limited ("the Company") was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands in preparation for a listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 12 January 2012.

The Company is an investment holding company and its subsidiaries (collectively the "Group") are principally engaged in the mining, ore processing, sales of nickel, copper, lead and zinc products, financial service and engineering service in the People's Republic of China (the "PRC"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- The acquisition of Yonghe County Changshi Engineering Service Co., Ltd. ("Changshi"), a company principally engaged in providing engineering service for exploiting oil, natural gas, coal-bed methane and pre-drilling engineering services in Shanxi Province in the PRC. Further details are given in Note 36.

  Subsequent to the reporting period, Changshi is also engaged in trading of materials for oil and gas exploration.

- During the year ended 31 December 2017 and 2016, there has been no exploration, development or production activity related to the mineral operation.

These financial statements have been approved for issue by the Board of directors on 10 December 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied for each of the years ended 31 December 2017 and 2016, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- available-for-sale financial assets – measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to HKAS 12
- Disclosure initiative – Amendments to HKAS 7

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see Note 33(c).

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

- Loans and receivables currently measured at amortised cost will continue with their classification and measurements upon the adoption of HKFRS 9, and

- equity instruments currently classified as available-for-sale ("AFS") for which a fair value through other comprehensive income ("FVOCI") election is available and hence there will be no change to the accounting for these assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects it may result in earlier recognition of credit losses.

Date of adoption by the Group

This new standard must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

HKFRS 15 Revenue from Contracts with Customers

Nature of change
The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact
Based on the assessment undertaken to date, the Group does not expect the adoption of HKFRS 15 would have a material impact over the Group's revenue recognition on revenue from mining products, engineering services and interest income.

Date of adoption by the Group
Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16 Leases

Nature of change
HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact
The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB7,609,000. The Group estimates that approximately RMB2,944,000 of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory application date/Date of adoption by the Group
Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the income statement as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's Board of directors that makes strategic decisions.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's functional and Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other gains/(losses)-net.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the income statement, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment (Continued)

Depreciation of buildings, machinery and equipment, office equipment and others, and motor vehicles is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Machinery and equipment	10 years
Office equipment and others	3 to 7 years
Motor vehicles	4 to 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Mining structures comprise the main and auxiliary mine shafts and underground tunnels. Depreciation of mining structures is provided to write off the cost of the mining structure using the unit-of-production method. Unit-of-production rate is based on reserves estimated to be recovered from existing facilities using current operating methods.

Construction in progress represents mainly mining structure on which construction work has not been completed. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost. No depreciation is provided for construction in progress until they are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within "other gains/(losses)-net" in the income statement.

2.8 Goodwill

Goodwill is measured as described in Note 2.11. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land and expenditure that is directly attributable to the acquisition. Amortisation of land use rights is calculated on a straight-line basis over its useful lives.

2.10 Mining rights and exploration rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Amortisation of mining rights is calculated to write off the cost less accumulated impairment losses over useful lives of the mines in accordance with the production plans and proved reserves of the mines on the unit-of-production method.

Exploration rights are stated at cost less impairment losses if any. When it can be reasonably ascertained that exploration rights are capable of commercial production, exploration rights are transferred to mining rights which are subject to amortisation using unit-of-production method.

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

- loans and receivables,
- available-for-sale financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

(i) Classification (Continued)

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade and other receivables and cash and cash equivalents.

(b) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in the income statement and other changes in the carrying amount are recognised in other comprehensive income

- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest on available-for-sale securities, and loans and receivables calculated using the effective interest method is recognised in the income statement as part of revenue from continuing operations.

2.13 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss 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 been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

Impairment testing of trade and other receivables is described in Note 15 and 16.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement.

Impairment losses on equity instruments that were recognised in the income statement are not reversed through the income statement in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within one year and therefore are all classified as current.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.12 for further information about the Group's accounting for trade receivables and Note 2.13 for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The loans from shareholders, which are interest-free and repayable under the control of the Group, are accounted for as quasi-equity loans and classified as equity.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amount will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(c) Housing benefits

The full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a Group entity has delivered products and transferred the significant risks and rewards of ownership of the product to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Revenue from services

Revenue from services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the income statement in the period in which the circumstances that give rise to the revision become known by management.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.25 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.27 Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analysing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised as property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the income statement.

2.28 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Group historically has not used derivative instruments for hedging or trading purposes.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars. Foreign exchange risk arises from recognised assets and liabilities in foreign operations. The Group does not hedge against any fluctuation in foreign currency.

At 31 December 2017, if RMB had weakened/strengthened by 1% against Hong Kong dollar with all other variables held constant, gain for the year would have been approximately RMB806,538(2016: loss RMB370,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollars denominated cash and other receivables.

(ii) Interest rate risk

The Group's interest rate risk arises from bank deposits which are bearing floating interest rates. Floating interest rates cause the Group cash flow interest rate risk. The Group also had a long-term borrowing with fixed interest rate for the year ended 31 December 2016 which expose the Group to fair value risk. For the years ended 31 December 2017 and 2016, management of the Group is of the opinion that relevant risks were not material to the Group.

(b) Credit risk

The carrying amounts of deposits and receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. Management of the Group is of the opinion that adequate provision for uncollectible other receivables has been made as at 31 December 2017 and 2016 after considering the Group's historical experience in collection of other receivables.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group obtained funds through public offering and private placement of the Company's shares.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2017				
Trade and other payables	18,332	–	–	–
Borrowings	1,000	–	–	–
At 31 December 2016				
Trade and other payables	304,412	–	–	–
Borrowings	46,025	–	–	–

(d) Concentration risk

Revenue of the Group is principally derived from engineering services operated by Changshi and the financial service operated by Jiayi in 2017.

For the year ended 31 December 2017, revenue of interest income from financial service was derived from two customers and 88% of the revenue of engineering and other related service was ultimately derived from one gas development block. For the year ended 31 December 2016, revenue of interest income from financial service was derived from two customers.

In the event that these major customers terminate the business relationship with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio:

The gearing ratios at 31 December 2017 and 2016 were as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Total borrowings (Notes 23)	1,000	46,025
Less: cash and cash equivalents (Note 17)	(54,410)	(8,970)
Net (cash position)/debt	(53,410)	37,055
Total equity	490,656	543,899
Total capital	437,246	580,954
Gearing ratio	–	6.38%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

This section analyses the Group's financial instruments carried at fair value as at 31 December 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Level 1:The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The Group does not have any financial assets or liabilities that are measured at fair value at 31 December 2017.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Available-for-sale financial assets				
Equity investment				
– Investment in a fund (Note 13)	–	–	114,825	114,825
Total assets	–	–	114,825	114,825

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2017.

	Available-for-sale financial assets RMB'000
Opening balance	114,825
Disposal (Note 13)	(114,825)
Closing balance	–

The following table presents the changes in level 3 instruments for the year ended 31 December 2016:

	Available-for-sale financial assets RMB'000
Opening balance	112,286
Gains recognised in other comprehensive income	2,539
Closing balance	114,825
Changes in unrealised gains for the year included in other comprehensive income	2,539

The fair value of available-for-sale financial assets was determined based on information available to the management regarding the investment portfolio, investment percentage and operating results.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Impairment for receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to the receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables and provision for impaired receivables in the period in which such estimate has been changed.

(b) Carrying value of non-current assets

The Group tests whether property, plant and equipment, land use rights, mining rights and exploration rights have been impaired due to events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount, in accordance with accounting policies stated in Note 2.11. As at 31 December 2017, there was impairment charge of RMB6,137,000 on property, plant and equipment, mining rights and exploration rights of the Group. The recoverable amounts of different cash generating units to which the property, plant and equipment, land use rights, mining rights and exploration rights belong, have been determined based on value-in-use calculations using cash flow projections, financial budgets approved by management covering a five year period and management's assumptions and estimates including forecast of selling price of nickel, copper, lead, zinc and gold, discount rates, time to restart production and inflation rate. Cash flows beyond the five-year period are assumed to be equal to the cash flow of year 2022 for cash generating units without considering the inflation rate. The discount rates used in cash flow projections varied with different cash generating units.

(c) Mineral reserves

Engineering estimates of the Group's mineral reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information.

There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proved" and "probable". Proved and probable mineral reserve estimates are updated at regular basis and have taken 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 mineral reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining impairment losses.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data such as share price and risk-free interest rate where it is available and rely as little as possible on entity specific estimates.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Group's chief operating decision maker ("CODM") that are used to make strategic decisions. The CODM has been identified as the Company's Board of directors.

The CODM reviews the operating performance from a business perspective (i.e. mining, financial service and engineering service). The reportable operating segments derive their revenue primarily from mining, financial services and engineering services.

For the year ended 31 December 2016, the Group had two (Notes a and b) reportable segments:

(a) the "Mining" segment engages in the mining, ore processing and sales of nickel, copper, lead and zinc products through Hami Jiatai Mineral Resource Exploiture Limited ("Hami Jiatai") and Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua") in the PRC; and

(b) the "Financial service" segment engages in financial services through Jiayi Financial Leasing Company Limited ("Jiayi") in the PRC.

5 SEGMENT INFORMATION (Continued)

For the year ended 31 December 2017, the Group had three (Notes a, b and c) reportable segments:

(a) the "Mining" segment engages in the mining, ore processing and sales of nickel, copper, lead and zinc products through Hami Jiatai and Hami Jinhua in the PRC;

(b) the "Financial service" segment engages in financial services through Jiayi in the PRC; and

(c) the "Engineering service" segment engage in providing engineering services for exploiting oil, natural gas, coal-bed methane and pre-drilling engineering services and other related services through Changshi, which was acquired in April 2017 (Note 36), in the PRC.

Apart from the three reportable segments, other activities of the Group were mainly investment holdings which are not considered as an operating segment and therefore grouped as "Unallocated" for the purpose of financial statements disclosures.

The CODM assesses the performance of the operating segments based on operating profit. Interest income and expenditure at the level of Group are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

5 SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for each of the years ended and as at 31 December 2017 and 2016 is as follows:

	2017 Mining RMB'000	2017 Financial service RMB'000	2017 Engineering service RMB'000	2017 Unallocated RMB'000	2017 Total RMB'000	2016 Mining RMB'000	2016 Financial service RMB'000	2016 Unallocated RMB'000	2016 Total RMB'000
Year ended 31 December									
Segment Revenue									
– Mineral products	–	–	–	–	–	–	–	–	–
– Interest income from financial services	–	10,163	–	–	10,163	–	25,588	–	25,588
– Engineering service and other related services	–	–	12,682	–	12,682	–	–	–	–
	–	10,163	12,682	–	22,845	–	25,588	–	25,588
Segment operating (loss)/profit	(36,464)	8,366	6,385	–	(21,713)	(13,096)	5,190	–	(7,906)
Unallocated operating loss (Note (a))	–	–	–	(21,654)	(21,654)	–	–	(23,319)	(23,319)
Operating (loss)/profit	(36,464)	8,366	6,385	(21,654)	(43,367)	(13,096)	5,190	(23,319)	(31,225)
Segment finance costs – net	(50)	(1)	24	–	(27)	39	(1)	–	38
Unallocated	–	–	–	3,017	3,017	–	–	2,752	2,752
Finance costs – net	(50)	(1)	24	3,017	2,990	39	(1)	2,752	2,790
Income tax (credit)/expense	(1,588)	2,096	1,321	–	1,829	(54)	1,308	–	1,254
Amortisation	243	–	–	–	243	243	–	–	243
Segment depreciation	2,756	–	525	–	3,281	3,581	–	–	3,581
Unallocated	–	–	–	–	–	–	–	4	4
Depreciation	2,756	–	525	–	3,281	3,581	–	4	3,585

5 SEGMENT INFORMATION (Continued)

	2017					2016			
	Mining RMB'000	Financial service RMB'000	Engineering service RMB'000	Unallocated RMB'000	Total RMB'000	Mining RMB'000	Financial service RMB'000	Unallocated RMB'000	Total RMB'000
Segment impairment									
– Non-current assets	6,137	-	-	-	6,137	-	-	-	-
– Other receivables	31,105	-	-	-	31,105	-	-	-	-
– Unallocated	-	-	-	600	600	-	-	-	-
Impairment	37,242	-	-	600	37,842	-	-	-	-
As at 31 December									
Segment assets	186,866	113,179	24,808	-	324,853	232,357	409,658	–	642,015
Unallocated assets (Note (b))	-	-	-	230,352	230,352	-	-	294,551	294,551
Total	186,866	113,179	24,808	230,352	555,205	232,357	409,658	294,551	936,566
Segment liabilities	39,733	6,463	14,583	-	60,779	40,965	304,213	–	345,178
Unallocated liabilities (Note (c))	-	-	-	3,770	3,770	-	-	47,489	47,489
Total	39,733	6,463	14,583	3,770	64,549	40,965	304,213	47,489	392,667

Notes:

(a) Unallocated operating losses mainly represented impairment of other receivables held by the Company and administrative and professional services expenses incurred by the Company for the year ended 31 December 2017 and consulting expenses incurred by the Company for the year ended 31 December 2016.

(b) Unallocated assets mainly represented other receivables and bank deposits held by the Company as at 31 December 2017 and available for sale financial assets, refundable deposit, and bank deposits held by the Company as at 31 December 2016.

(c) Unallocated liabilities as at 31 December 2017 mainly represented other payables and accruals and as at 31 December 2016 mainly represented long-term borrowings of the Company.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Office equipment and others RMB'000	Motor vehicles RMB'000	Mining structures RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2016							
Opening net book amount	21,618	6,304	10	224	4,502	31,592	64,250
Additions	–	–	64	–	–	–	64
Depreciation (Note (a), Note 26)	(1,793)	(1,764)	(28)	–	–	–	(3,585)
Closing net book amount	19,825	4,540	46	224	4,502	31,592	60,729
At 31 December 2016							
Cost	35,281	25,205	365	6,969	14,393	31,592	113,805
Accumulated depreciation	(15,456)	(20,665)	(319)	(6,745)	(1,243)	–	(44,428)
Accumulated impairment charge (Note (b))	–	–	–	–	(8,648)	–	(8,648)
Net book amount	19,825	4,540	46	224	4,502	31,592	60,729
Year ended 31 December 2017							
Opening net book amount	19,825	4,540	46	224	4,502	31,592	60,729
Acquisition of subsidiaries	–	–	81	3,235	–	–	3,316
Additions	–	1,904	47	661	–	–	2,612
Depreciation (Note (a), Note 26)	(1,793)	(900)	(63)	(525)	–	–	(3,281)
Impairment (Note (b))	–	–	–	–	(1,376)	–	(1,376)
Disposal	–	(473)	(11)	–	–	–	(484)
Closing net book amount	18,032	5,071	100	3,595	3,126	31,592	61,516
At 31 December 2017							
Cost	35,281	26,336	527	11,132	14,393	31,592	119,261
Accumulated depreciation	(17,249)	(21,265)	(427)	(7,537)	(1,243)	–	(47,721)
Accumulated impairment charge (Note (b))	–	–	–	–	(10,024)	–	(10,024)
Net book amount	18,032	5,071	100	3,595	3,126	31,592	61,516

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) Depreciation of property, plant and equipment has been charged to cost of sales and administrative expenses as follows:

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Total depreciation	3,281	3,585
Administrative expenses (Note 26)	526	28
Cost of sales (Note 26)	2,755	3,557
	3,281	3,585

(b) Impairment assessment

Hami Jiatai

As a result of the continuous depression in the copper and nickel product market which is the main business engaged by Hami Jiatai, management had decided to postpone the commencement of Hami Jiatai's operations since 2009. During the year ended 31 December 2014, there is a collapse in the mining area that Hami Jiatai operates, and significant improvement in mining structure and equipment would be necessary for restart of operation. The management appointed an in independent valuer to carry out a review of the recoverable amount of its assets in the mining rights, land use rights, property, plant and equipment as at 31 December 2014 and 2015. The reviews resulted in the recognition of impairment losses on mining structure and mining rights of Hami Jiatai with accumulated impairment RMB8,648,000 and RMB30,411,000 as at 31 December 2015 (total of RMB39,059,000) respectively, which had been recognised in cost of sales.

As at 31 December 2016, management appointed an independent valuer to carry out a review of the recoverable amount of its assets including the mining rights, land use rights, property, plant and equipment. No further impairment loss or reversal of impairment loss was recognised in the year 2016 after taking into consideration of the valuation results of the independent valuer.

As at 31 December 2017, as a result of the further delay in production schedule of Hami Jiatai and Hami Jinhua, management appointed an independent valuer to carry out a review of the recoverable amount of its assets in the mining rights, land use rights, property, plant and equipment. The review has resulted in the recognition of further impairment losses on mining structure and mining rights of Hami Jiatai of RMB1,376,000 and RMB4,761,000 (total of RMB6,137,000) respectively (Note 26), which has been recognised in cost of sales.

The recoverable amount is determined based on the value-in-use calculation using cash flow projections, based on financial budgets approved by management covering a five-year period and management's assumptions and estimates (Note 7(b)).

7 MINING RIGHTS AND EXPLORATION RIGHTS

	2017			2016		
	Mining rights RMB'000	Exploration rights RMB'000	Total RMB'000	Mining rights RMB'000	Exploration rights RMB'000	Total RMB'000
Year ended 31 December						
Opening net book amount	99,300	–	99,300	99,300	–	99,300
Amortisation charge (Note (a))	–	–	–	–	–	–
Impairment charge (Note (b))	(4,761)	–	(4,761)	–	–	–
Closing net book amount	94,539	–	94,539	99,300	–	99,300
At 31 December						
Cost	133,523	–	133,523	133,523	–	133,523
Accumulated amortisation	(3,812)	–	(3,812)	(3,812)	–	(3,812)
Accumulated impairment charge (Note (b))	(35,172)	–	(35,172)	(30,411)	–	(30,411)
Net book amount	94,539	–	94,539	99,300	–	99,300

Notes:

(a) There was no amortisation for the year ended 31 December 2017 and 2016 as no ore was mined.

(b) Impairment assessment

As at 31 December 2014 and 2015, management carried out reviews of the recoverable amounts of its assets in the mining rights, land use rights, property, plant and equipment. The reviews have resulted in the recognition of impairment losses on mining rights of Hami Jiatai with accumulated impairment RMB30,411,000.

As at 31 December 2016, management carried out a review of the recoverable amounts of its assets in the mining rights, land use rights, property, plant and equipment. No impairment loss or reversal of impairment loss on mining rights, land use rights, or property, plant and equipment was recognised in the year 2016.

As at 31 December 2017, management carried out a review of the recoverable amounts of its assets in the mining rights, land use rights, property, plant and equipment. The review has resulted in the recognition of impairment loss on mining rights of Hami Jiatai of RMB4,761,000 in the year 2017 (Note 26).

7 MINING RIGHTS AND EXPLORATION RIGHTS (Continued)

For each of the cash-generating units ("CGUs") of Hami Jiatai and Hami Jinhua under mining segment, the key assumptions for impairment review using value-in-use model, including selling price, time to restart production, inflation rate and discount rate used in the value-in-use calculations in 2017, are based on financial budgets approved by management for five years from 2018 to 2022.

	Hami Jinhua	Hami Jiatai
Selling price including VAT for		
– nickel (RMB per tonne)	–	105,339~112,041
– copper (RMB per tonne)	–	58,361~60,275
– lead (RMB per tonne)	18,766~19,183	–
– zinc (RMB per tonne)	22,018~22,579	–
Time to restart production	2020	2020
Capital cost to restart production (RMB'000)	21,294	6,846
Inflation rate	3%	3%
Pre-tax discount rate	23%	21%

For each of the CGUs of Hami Jiatai and Hami Jinhua under mining segment, the key assumptions for impairment review using value-in-use model, including selling price, time to restart production, inflation rate and discount rate used in the value-in-use calculations in 2016, are as follows. The assumptions are based on financial budgets approved by management for the years from 2017 to 2021.

	Hami Jinhua	Hami Jiatai
Selling price including VAT for		
– nickel (RMB per tonne)	–	100,441~111,382
– copper (RMB per tonne)	–	45,666~48,788
– lead (RMB per tonne)	18,833~18,974	–
– zinc (RMB per tonne)	20,091~20,526	–
Time to restart production	2018	2018
Inflation rate	3%	3%
Pre-tax discount rate	23%	21%

8 LAND USE RIGHTS

In Mainland China with remaining land use rights periods ranging from 37 to 40 years as at 31 December 2017:

	2017 RMB'000	2016 RMB'000
Year ended 31 December		
Opening net book amount	9,099	9,342
Amortisation charge (Note 26)	(243)	(243)
Closing net book amount	8,856	9,099
At 31 December		
Cost	11,136	11,136
Accumulated amortisation	(2,280)	(2,037)
Net book amount	8,856	9,099

9 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2017 are set out below. Unless otherwise stated, the proportion of ownership interests held equals the voting rights held by the Group.

Company name	Country/place of incorporation	Issued and paid-up capital/ registered capital	Interest held	Principal activities and place of operation
Right Source International Limited ("Right Source")	The BVI	US$100	100% directly held	Investment holdings, the BVI
Fortune In Investment Limited ("Fortune In")	The BVI	HK$100	100% directly held	Investment holdings, the BVI
Surplus Plan Limited ("Surplus Plan")	Hong Kong	HK$1	100% directly held	Investment holdings, Hong Kong
Realty Investment	Hong Kong	HK$100	100% indirectly held	Investment holdings, Hong Kong
滙力潤策投資諮詢(北京)有限公司 (Huili Runce Investment Consultation (Beijing) Limited)* ("Huili Runce")	Beijing, the PRC	HK$10,000,000	100% indirectly held	Management and investment consultation, the PRC
哈密市錦華礦產資源開發有限責任公司 (Hami Jinhua Mineral Resource Exploiture Limited)*	Hami, the PRC	RMB100,000,000	95% indirectly held	Mining, ore processing and sales of lead and zinc metal products, the PRC
哈密市佳泰礦產資源開發有限責任公司 (Hami Jiatai Mineral Resource Exploiture Limited)*	Hami, the PRC	RMB10,000,000	95% indirectly held	Mining, ore processing and sales of nickel and copper metal products, the PRC
Jia Zhao Ventures Limited ("Jiazhao")	The BVI	US$2	100% directly held	Investment holdings, the BVI
Business Factoring (China) Limited ("Business Factoring")	Hong Kong	HK$40,000,000	100% indirectly held	Investment holdings, Hong Kong
嘉屹融資租賃有限公司 (Jiayi Financial Leasing Company Limited)* ("Jiayi")	Tianjin, the PRC	RMB200,000,000	100% indirectly held	Financial service business, the PRC
Xiehe Limited	The BVI	US$1	100% directly held	Investment holdings, the BVI
永和縣長實工程服務有限公司 (Yonghe County Changshi Engineering Service Co., Ltd)* ("Changshi")	Linfen,the PRC	RMB10,000,000	100% indirectly held	Engineering service, the PRC

The total non-controlling interests in respect of Hami Jinhua Mineral Resource Exploiture Limited are not material.

* The English names of certain companies referred herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

10 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	(2,823)	(2,823)
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	22,906	24,494
– Deferred tax liability to be recovered within 12 months	54	54
	22,960	24,548
Deferred tax liabilities – net	20,137	21,725

The gross movements on the deferred income tax account are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of year	21,725	21,779
Credited to the income statement (Note 30)	(1,588)	(54)
At end of year	20,137	21,725

10 DEFERRED INCOME TAX (Continued)

The movements in deferred tax assets and liabilities for each of the years ended 31 December 2017 and 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Depreciation and others RMB'000	Total RMB'000
At 1 January 2016	2,823	2,823
Credited/(charged) to the income statement	–	–
At 31 December 2016	2,823	2,823
At 1 January 2017	2,823	2,823
Credited/(charged) to the income statement	–	–
At 1 January 2017 and 31 December 2017	2,823	2,823

No deferred income tax assets were recognised for tax losses, provisions and accruals as at 31 December 2017 and 2016 as there is uncertainty on whether the unused tax losses, provisions and accruals can be utilised in the near future.

10 DEFERRED INCOME TAX (Continued)

Deferred tax assets (Continued)

The Group did not recognise deferred income tax assets of RMB6,888,250 (2016: RMB8,233,000) in respect of losses incurred by Hami Jiatai and Hami Jinhua amounting to RMB27,553,000 (2016: RMB32,932,000), and the expiry dates are as follows.

	As at 31 December	
	2017 (RMB)	2016 (RMB)
Expiry date		
2017	–	8,767,000
2018	5,186,000	5,186,000
2019	6,609,000	6,609,000
2020	4,827,000	4,827,000
2021	7,479,000	7,544,000
2022	3,452,000	–
Total	27,553,000	32,932,000

10 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities

	Valuation surplus of acquired assets upon business combination RMB'000
At 1 January 2016	24,602
Credited to the income statement	(54)
At 31 December 2016	24,548
At 1 January 2017	24,548
Credited to the income statement (Note 30)	(1,588)
At 31 December 2017	22,960

11 REFUNDABLE DEPOSIT

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Refundable deposit (Note 16(b))	**–**	163,367

12 RESTRICTED CASH AT BANKS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Restricted cash at banks	2,648	2,525

Note:

Restricted cash at banks represented the guarantee deposits for environmental recovery.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of year	114,825	112,286
Disposal	(114,825)	–
Gains recognised in other comprehensive income	–	2,539
At end of year	–	114,825

Available-for-sale financial assets include the following:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Current portion		
Equity investment		
– Investment in a fund	–	114,825

Note:

Net gain of nil and RMB2,539,000 were recognised in other comprehensive income for the years ended 31 December 2017 and 2016 respectively. The liquidation progress of the fund had been completed in January 2017, net proceeds of HK$76,915,000 (equivalent to RMB68,016,000) were fully collected in February 2017 after netting off against the long-term borrowings of HK$51,452,000 (equivalent to RMB45,499,000) (Note 23). Loss of RMB1,310,000 was recognised in the income statement upon the disposal of the fund and accumulated other comprehensive income of RMB5,057,000 was reclassified to the income statement (Note 28).

14 INVENTORIES

	As at 31 December 2017 RMB'000	2016 RMB'000
Raw materials	1,268	1,268
Semi-finished goods	1,777	1,777
	3,045	3,045

Raw materials mainly included consumables, semi-finished goods included raw ores.

15 TRADE RECEIVABLES

	As at 31 December 2017 RMB'000	2016 RMB'000
Trade receivables (Note (a))	8,975	100
Less: Provision for impairment of trade receivables	–	–
Trade receivables – net	8,975	100

At 31 December 2017 and 2016, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December 2017 RMB'000	2016 RMB'000
Up to 3 months	3,597	–
3 to 6 months	5,378	–
Over 12 months	–	100
	8,975	100

Note (a): The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by the management. The trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, were not impaired. Based on communications with these customers, it is expected these receivables will be settled by end of 2018.

16 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2017 RMB'000	2016 RMB'000
Non-current assets:		
Other receivables		
– Amounts due from Warburg Energy Development Limited ("Warburg") (Note (a))	113,123	109,123
– Amounts due from Merit Progress Investments Limited (Note (b))	33,436	–
	146,559	109,123
Current assets:		
Other receivables		
– Amounts due from Merit Progress Investments Limited (Note (b))	129,566	–
– Amounts due from Xiaoyi Dajieshan Coal Industry Co. Ltd ("Xiaoyi Dajieshan") (Note (c))	52,600	52,600
– Amounts due from Shaanxi Jiatai Hengrun Mineral Resources Development Co. Ltd.("Shaanxi Jiatai") (Note (d))	39,350	39,350
– Amounts due from Mr. Wei Xing (Note (e))	26,756	26,756
– Amounts due from Shanxi Panorama Corporate Management Consulting Co., Ltd. ("Shanxi Panorama") (Note (f))	–	200,318
– Amounts due from Warburg (Note (g))	–	100,159
– Deductible VAT input	2,107	1,780
– Others (Note (h))	17,782	7,644
Subtotal	268,161	428,607
Less: impairment provision (Note (i), Note 26)	(98,127)	(66,422)
	170,034	362,185
Advances to suppliers – third parties	1,800	475
	171,834	362,660

16 OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes:

(a) In December 2015, Jiayi granted a loan of RMB100 million to Warburg, which was unsecured bearing annual interest of 9% with a fixed term of 5 years. The loan was early repaid to the Group in January 2018 (Note 39(a)) while the interest receivable of approximately RMB10,493,000 was still outstanding as at date of the financial statements were authorised for issue mainly due to VAT invoices in respect of settlement of the interest receivable to be resolved by Jiayi. Considering (i) the aforesaid VAT invoices issues would be resolved by Jiayi at first quarter of 2019; and (ii) the financial position of Warburg as at 30 June 2018, the directors believe no provision is necessary for the interest receivable.

(b) The Group entered into a Memorandum of Terms (the "Memorandum") on 3 December 2015 and a series of Supplemental Terms (the "Supplementals") on 29 March 2016, 6 September 2016, 31 December 2016 and 30 June 2017 with three vendors in relation to a possible acquisition of the entire equity interest of China Green Energy Investment Limited (the "Target Company") at a total consideration of not more than US$ 150 million (equivalent to HK$1,170 million). The Target Company and its subsidiaries are principally engaged in exploration, development, production and sale of the coalbed methane in Shanxi Province. Pursuant to the Memorandum, the Group paid US$25 million (equivalent to RMB163,367,000) to the vendors in December 2015 as a refundable deposit for the exclusive negotiation rights from the date of the Memorandum to end of March 2016 (which was subsequently extended to end of December 2017 pursuant to the Supplementals). The earnest money was secured by the share charge in respect of all the shares of the vendors in favour of the Company. The said share charge is not yet registered in the register of Charges of the Target Company as at date of the financial statements was authorised for issue. In the event that no sale and purchase agreement is entered into or the possible acquisition does not proceed on or before 31 December 2017, the earnest money shall be refunded to the Company.

    Two vendors have transferred their shares in the Target Company to Merit Progress Investments Limited ("Merit Progress"), the remaining vendor, which became the only legal and beneficial owner of the entire issued share capital of the Target Company as at 31 December 2017 and date of this report.

    As at 31 December 2017, the acquisition did not proceed and the exclusive negotiation right was expired, the refundable deposit is reclassified to other receivables, HK$135 million (equivalent to RMB112,846,500) was collected subsequently by the Group as at date of the issue of these financial statements (Note 39(a)). Pursuant to the letter received from Merit Progress in August 2018, Merit Progress will pay the remaining HK$60 million (equivalent to RMB50,154,000) by end of February 2019. Considering (i) the value of share charge provided by Merit Progress; (ii) the personal guarantee provided by the ultimate beneficial owner of Merit Progress; and (iii) the value of assets owned by the ultimate beneficial owner and respective associates of Merit Progress, the directors believe no provision is necessary for the remaining balance.

16 OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes: (Continued)

(c) The receivable due from Xiaoyi Dajieshan amounting to RMB52,600,000 arose from the disposal of Shaanxi Jiahe (the "Disposal"), which is engaged in exploration and production of gold in Shaanxi Province. In December 2015, the Group and Xiaoyi Dajieshan Coal Limited entered into an agreement (the "Disposal Agreement"), pursuant to which (i) Hami Jiatai sold 100% equity interests in Shaanxi Jiahe to Xiaoyi Dajieshan for a consideration of RMB48,000,000; (ii) payables of RMB9,400,000 due to the Company and its subsidiaries originally by Shaanxi Jiahe were assumed by Xiaoyi Dajieshan.

The transfer was completed in December 2015. Until 31 December 2015, the Group received RMB4,800,000 from Xiaoyi Dajieshan and the remaining balance of RMB52,600,000 was to be collected by the end of 2016 according to the agreement.

In February 2017, the Company, Hami Jiatai and Xiaoyi Dajieshan entered into a supplemental agreement, pursuant to which Xiaoyi Dajieshan would pay RMB10,000,000 in March 2017, while the due date of the remaining amount of RMB42,600,000 was extended to December 2017. Three bank acceptance notes with a total carrying amount of RMB10,000,000 were received from Xiaoyi Dajieshan in March 2017. Management subsequently noted in March 2018 that these three bank acceptance notes were forged.

As Xiaoyi Dajieshan had failed to settle the remaining balance of the consideration for the disposal in the amount of RMB52,600,000 despite repeated demands by the Company, on 29 January 2018, Hami Jiatai initiated a civil litigation against Xiaoyi Dajieshan in the Intermediate People's Court of Lvliang Municipality (the "Court") with a view to recovering the outstanding consideration for the Disposal together with default interest. On 14 March 2018, the litigation was filed at the Court.

On 22 May 2018, the Court issued a civil mediation order, pursuant to which Hami Jiatai and Xiaoyi Dajieshan have reached an agreement for full settlement of the outstanding receivable by the following means: (i) the entire equity of Shaanxi Jiahe together with the debts in the amount of RMB3,100,000 due from Shaanxi Jiahe to Hami Jiatai which were then assigned by Hami Jiatai to Xiaoyi Dajieshan shall be transferred back to Hami Jiatai; and (ii) the amount of RMB4,800,000 paid by Xiaoyi Dajieshan to Hami Jiatai as part of the consideration for the Disposal shall be retained by Hami Jiatai as penalty.

As the relevant regulatory filings with the local commerce bureau in relation to the Disposal have yet to be completed, no further filing with the local regulatory bodies is required in relation to the transfer of the entire equity interests of Shaanxi Jiahe from Xiaoyi Dajieshan back to Hami Jiatai. Immediately after the settlement, Shaanxi Jiahe became an indirect 95%-owned subsidiary of the Company.

In addition, on 31 May 2018, the Group and Xiaoyi Dajieshan entered into certain debt settlement agreements, pursuant to which Xiaoyi Dajieshan agreed to assign to the Company and Huili Runce its rights over certain receivables due by Shaanxi Jiahe. As a result, the Company and Huili Runce assumed receivables due by Shaanxi Jiahe of RMB4,000,000 and RMB2,300,000 respectively, and Xiaoyi Dajieshan ceased to be entitled to any right to these receivables since then.

In respect of certain matters relating to the Disposal (including, but not limited to, receipt of three forged bank acceptance notes by the Group), the Directors set up a special investigating committee on 21 March 2018, and an independent investigation firm (the "Independent Investigation Firm") was engaged by the special investigating committee to conduct an independent investigation into such matters.

16 OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes: (Continued)

(c) (Continued)
Pursuant to the investigation report prepared by the Independent Investigation Firm, the Group received the first payment of RMB4,800,000 as the first tranche consideration, which was remitted by an individual on behalf of Xiaoyi Dajieshan to the Group on 30 December 2015 according to the notice issued by Xiaoyi Dajieshan. On 10 March 2017, Xiaoyi Dajieshan presented three bank acceptance notes in the total amount of RMB10,000,000 to the Group, purportedly for the payment of the second tranche consideration for the Disposal. However, as the ex-employee of the Group (the "Relevant Employee") responsible for the matter indicated that he was occupied by various matters at the time when the bank acceptance notes were provided to the Group and Xiaoyi Dajieshan also requested the Relevant Employee to bank in the bank acceptance notes at a later time due to some conflicts with its suppliers, the Relevant Employee had not arranged for the deposit of the bank acceptance notes in time. Subsequently, the representative of Xiaoyi Dajieshan (the "Purchaser Representative") admitted that the three bank acceptance notes were forged, and he was aware of it before he presented them to the Relevant Employee. It is also noted that the Purchaser Representative is also a director of Warburg, which was a subsidiary of Xiaoyi Dajieshan from May 2012 to November 2012.

Based on the above and other findings of the investigation report, the special investigating committee is of view that the Disposal was a legally binding transaction under PRC laws and the Company had complied with the applicable reporting requirements under the Listing Rules.

The impairment assessment of amount due from Xiaoyi Dajieshan of RMB52,600,000 was made with reference to the fair value of equity interests of Shaanxi Jiahe because the equity interest in Shaanxi Jiahe was transferred back to the Group by Xiaoyi Dajieshan upon the aforesaid settlement arrangements as stated above. Management appointed an independent valuer to carry out an assessment of the business enterprise value ("BEV") of Shaanxi Jiahe, which is determined based on the value-in-use calculation using cash flow projections of Shaanxi Jiahe and by reference to its management accounts at 31 December 2017.

The cash flow projections were prepared based on financial budgets approved by management and management's assumptions and estimates including forecast of ores reserve available for extraction, selling prices of gold and silver, discount rate, time to commence commercial production and inflation rate on the cash generating units of Shaanxi Jiahe.

- The ores reserve available for extraction include those for Mine 1 and Mine 2 of Project Huangjinmei. Currently Shaanxi Jiahe only owns the mining right of Mine 1. Pursuant to agreements with a third party, that third party has agreed to endeavour to cause the current owner of the mining right of Mine 2 to transfer that mining right to Shaanxi Jiahe without additional charges. It is assumed that Shaanxi Jiahe is able to secure the mining right of Mine 2 and fulfil the legal requirements for commercial operation by 30 September 2020.

- The discount rate used in measuring value-in-use was 16%, which is pre-tax and reflects the specific risk relating to the business, after adjustment of probability of success.

- The projected prices of gold and silver used are derived from the forecasts disclosed in Bloomberg.

- Commercial production is expected to commence in 2020 and 3% is adopted in the forecast as the estimated inflation rate.

In addition, the management accounts of Shaanxi Jiahe included significant non-operating receivables due from and non-operation payables. Management assumed that Shaanxi Jiahe could fully collect all non-operating receivables and would settle the non-operation payables due to same group of certain third parties in full in the near future. The management also assumed that payables to the Company, Hami Jiatai and Huili Runce in total of RMB9,400,000 will be settled by Shaanxi Jiahe during the forecast period.

According to the valuation report, the fair value of 100% equity interests of Shaanxi Jiahe was valued at RMB13,159,000 as at 31 December 2017. On this basis, the Group set aside an impairment provision of RMB30,041,000 against the receivables due from Xiaoyi Dajieshan of RMB52,600,000 at 31 December 2017, being the difference between carrying amount of receivable balance (RMB52,600,000) and the aggregated amount of the fair value of 100% equity interest of Shaanxi Jiahe (RMB13,159,000) and amount due by Shaanxi Jiahe to the Group (RMB9,400,000).

16 OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes: (Continued)

(d) The balance mainly represented prepayment of RMB23,500,000 for acquisition of Shaanxi Jiarun which was lapsed on 30 September 2013, proceeds of RMB8,350,000 receivable from Shaanxi Jiatai arising from disposal of plant, property and equipment and advances of RMB7,500,000 to Shaanxi Jiatai, a company owned by Mr. Wei Xing. The balance was fully impaired because of dispute between Shaanxi Jiatai and the Group in 2014 and 2015.

(e) In 2013 and 2014, the Company, Geo-Tech Resources Group Investment Limited and Mr. Wei Xing entered into a framework agreement and supplemental agreements in relation to the possible acquisitions of gold mines and mining processing plants in the Republic of Ghana. Pursuant to the agreements, the Company paid earnest money of RMB10,000,000 (equivalent to HK$12,500,000) in 2013 and HK$20,000,000 (equivalent to RMB15,621,000) in 2014 to Mr. Wei Xing in consideration of the grant of the exclusive negotiation rights.

Until 31 December 2015, full provision had been provided against the receivables because of the expiration of the negotiation rights due to dispute between Mr. Wei Xing and the Group.

(f) Jiayi and Shanxi Panorama entered into an agreement pursuant to which Jiayi granted a loan of RMB200 million to Shanxi Panorama in March 2016 bearing annual interest of 9%. The loan matured on 31 January 2017 and was collected in January 2017 by the Group.

(g) In January 2016, Jiayi entered into a secured loan agreement with Warburg. According to which, Jiayi granted loan of RMB300 million to Warburg secured by the pledge of certain of its gas properties. The loan bearing annual interest of 9% with fixed term of 13 months, of which RMB200 million was repaid in March 2016. The remaining loan of RMB100 million was repaid to the Group in January 2017.

(h) The balances as at 31 December 2017 and 2016 mainly represented receivables from third parties, which were unsecured, interest free and had no fixed terms of repayment. An impairment provision of RMB1,980,000 was recognised as the debtors' default in payment.

(i) As of 31 December 2017, other receivables of RMB98,127,000 (2016: RMB66,422,000) were impaired. Except for the provision for amount due from Xiaoyi Dajieshan (RMB30,041,000) was resulted from the valuation of equity interests of Shaanxi Jiahe (Note 16 (c)), the remaining provision for other receivable (RMB68,086,000) was mainly the provision for the amount due from Shaanxi Jiatai (RMB39,350,000) and provision for the amount due from Mr. Wei Xing (RMB26,856,000), the receivables were provided full provision due to the dispute among the Group, Shaanxi Jiatai and Mr. Wei Xing.

(j) The carrying amounts of other receivables and prepayments (after netting off impairment) approximated their fair values. The balances were mainly denominated in RMB.

17 CASH AND CASH EQUIVALENTS

	As at 31 December 2017 RMB'000	2016 RMB'000
Cash on hand	69	–
Current deposits with banks	54,341	8,970
Cash and cash equivalents	54,410	8,970

Balances can be analysed as follows:

	As at 31 December 2017 RMB'000	2016 RMB'000
Denominated in:		
– RMB	669	1,040
– Hong Kong dollars	53,709	7,927
– US dollars	32	3
	54,410	8,970

Notes:

(a) The bank deposits were interest bearing at rates based on bank deposit rates as agreed with banks. The weighted average effective interest rate on deposits ranged from 0.05% to 0.35% per annum as at 31 December 2017 (2016: 0.01% to 0.30%).

(b) Deposits denominated in Renminbi were deposited with banks in the PRC. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

(c) The deposits were mainly placed with reputable banks for which the credit risk is considered remote.

18 SHARE CAPITAL AND SHARE PREMIUM

	Authorised Shares of HK$0.1 each
As at 31 December 2017 and 2016	5,000,000,000

	Number of Share (Thousands)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2016	1,500,000	127,362	577,878	705,240
– Proceeds from shares issued (Note (a))	120,000	9,999	90,890	100,889
At 31 December 2017 and 2016	1,620,000	137,361	668,768	806,129

Notes:

(a) The Group issued 120,000,000 shares in March 2016 at the price of HK$1.01 per share as consideration for acquisition of Jiazhao and its subsidiaries.

19 OTHER RESERVES

	Safety funds RMB'000	Maintenance funds RMB'000	Capital reserve RMB'000	Available for Sales investments RMB'000	Total RMB'000
At 1 January 2016	221	1,583	(13,972)	2,518	(9,650)
Revaluation (Note 13)	–	–	–	2,539	2,539
At 31 December 2016	221	1,583	(13,972)	5,057	(7,111)
Reclassification to the income statement on disposal of available-for-sale financial assets	–	–	–	(5,057)	(5,057)
At 31 December 2017	221	1,583	(13,972)	–	(12,168)

20 ACCUMULATED LOSSES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Accumulated losses at beginning of year	(256,096)	(221,481)
Loss for the year	(46,129)	(34,615)
Accumulated losses at end of year	(302,225)	(256,096)

Notes:

(a) In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, the PRC subsidiaries are required to transfer 10% of the profit after taxation determined in accordance with PRC GAAP to the statutory reserve until the balance reaches 50% of the paid-up capital. Such reserve can be used to reduce any losses incurred or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital. There were no appropriation to the statutory reserve for the years ended 31 December 2017 and 2016 as there were losses for the years ended 31 December 2017 and 2016 in the PRC subsidiaries.

(b) Pursuant to certain regulations issued by the State of Administration of Work Safety, the Group is required to set aside an amount to a safety fund at RMB8 per tonne of raw ore mined. The fund can be used for improvements of safety at the mines, and are not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings. There were no appropriation to the safety funds for the years ended 31 December 2017 and 2016 as no ore was mined.

(c) Pursuant to certain regulations issued by the State of Administration of Work Safety and Ministry of Finance, the Group is required to set aside an amount to a maintenance fund calculated based on a rate of RMB18 per tonne of raw ore mined. The fund can be used for improvement of mining structures, and are not available for distributions to shareholders. Upon incurring qualifying capital expenditure, an equivalent amount is transferred from maintenance fund to retained earnings. There were no appropriation to the maintenance fund for the years ended 31 December 2017 and 2016 as no ore was mined.

(d) The directors of the Company did not propose any payment of dividends to the Company's shareholders for the years ended 31 December 2017 and 2016.

21 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of year	3,160	3,090
Unwinding of discount (Note 29)	73	70
At end of the year	3,233	3,160

A provision is recognised for the present value of costs to be incurred for the restoration of the tailings dam and mining structures which has been determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value. However, in so far as the effect of the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are remeasured accordingly.

22 TRADE PAYABLES

Trade payables are analysed as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
– Third parties	12,226	1,318

The carrying amounts of trade payables are considered to be the same as their fair values, due to their short-term nature. The balances are denominated in RMB.

The ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
0 – 90 days	6,507	18
91 – 180 days	3,158	–
180 – 365 days	1,261	–
Over 365 days	1,300	1,300
	12,226	1,318

23 BORROWINGS

	As at 31 December 2017 RMB'000	2016 RMB'000
Loan from committee of Dongzheng Village (Note (a))	1,000	–
Current-portion of long-term borrowings		
– Long-term borrowings due to ACE Axis Limited (Note (b))	–	46,025
	1,000	46,025

Notes:

(a) The unsecured loan from the committee of Dongzheng Village was with interest bearing of 10% per annum.

(b) In January 2017, the borrowings were netted off against the liquidation proceeds from the investment in ACE Axis Limited, the investment fund (Note 13).

24 OTHER PAYABLES AND ACCRUALS

	As at 31 December 2017 RMB'000	2016 RMB'000
Other payables (Note (a))	6,106	303,094
Salary and welfare payables	7,459	5,548
Accrued taxes other than income tax (Note (b))	7,464	6,969
	21,029	315,611

Notes:

(a) Other payables are analysed as follows:

	As at 31 December 2017 RMB'000	2016 RMB'000
Other payables		
– Amounts due to Zhong Ou Sheng Shi Asset Management Co., Ltd. ("Zhong Ou Sheng Shi") (Note (i))	–	300,477
– Amounts due to Mr. Wei Xing (Note (ii))	186	186
– Third parties (Note (iii))	5,920	2,431
	6,106	303,094

Notes:

(i) In January 2016, Jiayi entered into an agreement with an asset management plan operated by Zhong Ou Sheng Shi. Zhong Ou Sheng Shi granted a loan of RMB300 million to Jiayi, which was pledged on 20% equity interests in Warburg held by Shanxi Panorama, bearing interest rate of 9% with fixed term of 13 months. The loan was granted to Warburg and Shanxi Panorama by Jiayi afterwards. The loan was repaid to Zhong Ou Sheng Shi by the Group in January 2017 after Jiayi collected back the loan repayment proceeds from Warburg and Shanxi Panorama in January 2017 (Note 16(f)(g)).

(ii) Amounts due to Mr. Wei Xing were interest free and unsecured, and had no fixed terms of repayment.

(iii) Other payable to third parties mainly included payables of equipment purchasing cost and service charges payable as at 31 December 2017 and advances from third parties as at 31 December 2016.

24 OTHER PAYABLES AND ACCRUALS (Continued)

Notes: (Continued)

(b) Accrued taxes other than income tax are analyzed as follows:

	As at 31 December 2017 RMB'000	2016 RMB'000
Value added tax	2,881	2,275
Resource tax	284	284
Resource compensation fee	4,269	4,269
Others	30	141
	7,464	6,969

The carrying amounts of other payables approximated their fair values.

25 REVENUE

The Group's revenue represents (i) the net invoiced value of engineering services and other related services rendered to customers, after allowances for returns and trade discounts and net of tax and subcontracting charges for services; and (ii) interest income generated from financial services net of value-added tax and government surcharges.

Revenue recognised during the years ended 31 December 2017 and 2016 is as follows:

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Interest income from financial services	10,163	25,588
Engineering service and other related services	12,682	–
	22,845	25,588

26 EXPENSES BY NATURE

The following items have been charged to the operating loss for the years ended 31 December 2017 and 2016:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Borrowing cost of financial service	1,773	20,342
Depreciation (Note 6)	3,281	3,585
Amortisation (Note 8)	243	243
Impairment provision for mining assets and mining rights (Notes 6,7)	6,137	–
Doubtful debt provision for other receivables	31,705	–
Employee benefit expenses (Note 27)	12,218	9,371
Office expenses and operating lease payments	5,799	7,165
Consulting and professional expenses	4,950	8,575
Loss on stock taking of raw materials	–	3,144
Auditor's remuneration		
– annual audit	1,414	1,259
– others	375	1,400
Transportation expenses	1,198	799
Electricity consumed	73	44
Others	1,155	1,233
Total cost of sales, distribution expenses and administrative expenses	70,321	57,160

27 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Wages and salaries	11,262	8,559
Contributions to pension plans (Note (a))	266	248
Housing benefits (Note (b))	23	80
Welfare and other expenses	667	484
	12,218	9,371

Notes:

(a) The amount represented the Group's contributions to the defined contribution pension plans organised by the relevant municipal and provincial governments at a rate of 20% of the basic salary of permanent employees in the mainland China.

(b) The amount represented the Group's contributions to government-sponsored housing funds at a rate of 5% of the basic salary of permanent employees in the mainland China.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2016: two) directors whose emoluments are reflected in the analysis shown in Note 32. The emoluments payable to the remaining three (2016: three) individuals during the year are as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	2,232	2,042
	2,232	2,042

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands (in HK dollars)		
Up to HK$1,000,000 (up to RMB835,900 equivalents)	2	2
HK$1,000,001 – HK$1,500,000 (RMB835,901 equivalents – RMB1,253,850 equivalents)	1	1

28 OTHER GAINS – NET

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Net gains transferred from other comprehensive income upon the disposal of available-for-sale financial assets (Note 13)	5,057	–
Loss on disposal of available-for-sale financial assets (Note 13)	(1,310)	–
Bargain purchase (Note 36)	523	571
Losses on disposal of property, plant and equipment	(484)	–
Others	323	(224)
	4,109	347

29 FINANCE COSTS – NET

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Finance income		
Interest income	493	210
Finance costs		
Exchange losses – net	(3,377)	(1,631)
Interest expenses		
– Long-term borrowings	–	(1,299)
– Unwinding of discount – provision for close down, restoration and environmental costs (Note 21)	(73)	(70)
–Others	(33)	–
	(3,483)	(3,000)
Finance costs – net	(2,990)	(2,790)

30 INCOME TAX EXPENSE

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Current tax	3,417	1,308
Deferred tax (Note 10)	(1,588)	(54)
Income tax expense	1,829	1,254
Income tax expense is attributable to:		
Profit from continuing operations	1,829	1,254
Profit from discontinued operation	–	–
	1,829	1,254

The Company is an exempted company incorporated in the Cayman Islands and, as such, is not liable for taxation in the Cayman Islands on its non-Cayman Islands income.

The Group's subsidiaries incorporated in the BVI were not liable for taxation in the BVI on their non-BVI income.

The Group's subsidiaries in Hong Kong were subject to Hong Kong profits tax at a rate of 16.5% for each of the years ended 31 December 2017 and 2016.

The Group's subsidiaries in Mainland China were subject to the corporate income tax at a rate of 25% in accordance with the Corporate Income Tax Law of the PRC.

All the Group's subsidiaries in Hong Kong and the Mainland China except for Changshi and Jiayi did not have any assessable profit for the year ended 31 December 2017; and all the Group's subsidiaries in Hong Kong and the Mainland China except for Jiayi did not have any assessable profit for the year ended 31 December 2016.

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to results of the Group's entities is as follows:

30 INCOME TAX EXPENSE (Continued)

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Loss before income tax	(46,357)	(34,015)
Tax calculated at domestic tax rates applicable to results in the respective countries	(10,347)	(4,487)
Tax effects of:		
– Expenses not deductible for tax purposes	156	493
– Utilisation of previously unrecognised tax losses	(316)	–
– Deductible temporary differences for which no deferred income tax asset recognised	8,803	1,119
– Tax losses for which no deferred income tax asset recognised	3,533	4,129
Income tax expense	1,829	1,254

31 LOSS PER SHARE

The basic loss per share is calculated by dividing:

- the loss attributable to the equity holders of the Company
- by weighted average number of ordinary shares in issue during the financial year.

	Year ended 31 December 2017	2016
Loss attributable to equity holders of the Company (RMB'000)	(46,129)	(34,615)
Adjusted weighted average number of shares in issue (in thousands)	1,620,000	1,590,000
Basic and diluted loss per share (RMB)	(0.028)	(0.022)

Diluted loss per share was equal to basic loss per share as there was no dilutive potential share outstanding for the each of the years ended 31 December 2017 and 2016.

32 BENEFITS AND INTERESTS OF DIRECTORS

For the year ended 31 December 2017:

Emoluments in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Name	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Li Xiaobin (Note(a))	1,687	-	-	-	-	1,687
Mr. Wang Dayong (Note(b))	433	-	-	-	-	433
Ms. Jia Dai (Note(c))	243	-	-	-	-	243
Mr. Liu Huijie (Note(d))	217	-	-	-	-	217
Mr. Cao Shi Ping	104	-	-	-	-	104
Mr. Shou Xuancheng (Note(e))	104	-	-	-	-	104
Mr. Yu Liyong (Note(f))	89	-	-	-	-	89
Mr. Cao Kuang Yu (Note(g))	71	-	-	-	-	71
Mr. Song Shaohuan (Note(h))	52	-	-	-	-	52
Ms. Sun Zhili (Note(i))	52	-	-	-	-	52
Ms. Xiang Siying (Note(j))	33	-	-	-	-	33
Ms. Wang Qian	-	-	-	-	-	-
Mr. Xu Zucheng (Note(k))	-	-	-	-	-	-

32 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

For the year ended 31 December 2016:

Emoluments in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Name	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Wang Dayong (Note(b))	1,125	–	–	–	–	1,125
Mr. Shou Xuancheng (Note(e))	312	–	–	–	–	312
Mr. Cao Shiping	104	–	–	–	–	104
Mr. Cao Kuangyu (Note(g))	104	–	–	–	–	104
Mr. Song Shaohuan (Note(h))	104	–	–	–	–	104
Mr. Lu Qi (Note(l))	91	–	–	–	–	91
Mr. Liu Ting (Note(m))	11	–	–	–	–	11
Mr. Xu Zucheng (Note(k))	–	–	–	–	–	–
Ms.Wang Qian	–	–	–	–	–	–
Chief executive:						
Mr. Sun Zhong (Note(n))	832	–	–	–	–	832

Notes:

(a) Mr. Li has been appointed as executive director on 5 April 2017 and has been appointed as Chairman on 23 May 2017.
(b) Mr. Wang has resigned as Chairman and executive director on 23 May 2017.
(c) Ms. Jia has been appointed as executive director on 20 April 2017.
(d) Mr. Liu has been appointed as executive director on 20 April 2017.
(e) Mr. Shou has resigned as executive director on 20 April 2017.
(f) Mr. Yu has been appointed as executive director on 6 September 2017 and has resigned as executive director on 19 December 2017.
(g) Mr. Cao has resigned as independent non-executive director on 6 September 2017.
(h) Mr. Song has resigned as independent non-executive director on 1 July 2017.
(i) Ms. Sun has been appointed as independent non-executive director on 1 July 2017 and resigned as independent non-executive director on 19 October 2018.
(j) Ms. Xiang has been appointed as independent non-executive director on 6 September 2017.
(k) Mr. Xu has resigned as executive director on 20 April 2017.
(l) Mr. Lu has resigned as executive director on 8 June 2016.
(m) Mr. Liu has resigned as executive director on 26 January 2016.
(n) Mr. Sun has resigned as CEO and executive director on 5 January 2017.

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash used in operations

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Loss before income tax from continuing operation	(46,357)	(34,015)
Adjustments:		
Depreciation of property, plant and equipment	3,281	3,585
Amortisation	243	243
Loss on disposal of property, plant and equipment	484	–
Net gains upon disposal on available-for-sale financial assets	(3,747)	–
Finance costs	2,213	3,645
Finance income	(493)	(210)
Gain on acquisition of a subsidiary	(523)	(571)
Impairment of other receivables	31,705	–
Impairment of mining structures and mining rights	6,137	–
Cash used in operations before working capital changes	(7,057)	(27,323)
Changes in working capital:		
Decrease in inventories	–	3,481
(Increase)/decrease in trade receivables	(8,875)	3,638
Decrease/(increase) in other receivables and prepayments	298,590	(11,086)
Decrease in trade and other payables and accruals	(300,490)	(733)
Increase in restricted cash at banks for environmental recovery	(123)	(33)
Cash used in operations	(17,955)	(32,056)

(b) Major non-cash transactions

The principal non-cash transaction for the year ended 31 December 2017 was the repayment of the borrowings by netting off against the liquidation proceeds from the investment in the fund (Note 23).

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Reconciliation of liabilities arising from financial activity

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

			Non-cash changes		
	31 December 2016 RMB'000	Financing cash flow RMB'000	Foreign exchange differences RMB'000	Netting-off against liquidation proceeds from available-for-sale financial assets (Note 13) RMB'000	31 December 2017 RMB'000
Current-Portion of Long-Term Borrowings (Note 23)	46,025	–	(526)	(45,499)	–
Loan from committee of Dongzheng Village (Note 23)	–	1,000	–	–	1,000

34 CONTINGENCIES

The Group had contingent liabilities at 31 December 2017 in respect of:

(a) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Save as disclosed in Note 21, the Group is presently not involved in any environmental remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislations, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards.

Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including but not limited to mines and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislations cannot reasonably be estimated at present, and could be material.

34 CONTINGENCIES (Continued)

(b) Insurance

The Group carries commercial insurance for its employees who work underground for personal injury. However, such insurance may not be sufficient to cover the potential future losses. While the effect of under-insurance on future incidents cannot be reasonably assessed at present, management believes this can have a material adverse impact on the results of operations or the financial position of the Group.

35 COMMITMENTS

(a) Capital commitments

There is no contracted capital expenditure as at year end of 2017 and 2016.

(b) Non-cancellable Operating leases

The Company leases various offices under non-cancelable operating lease agreements.

The future aggregate minimum lease payments in relation to non-cancelable operating leases are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	2,944	2,979
Later than 1 year and no later than 5 years	4,665	1,739
	7,609	4,718

36 BUSINESS COMBINATION

(a) Summary of acquisition

On 27 April 2017, the Group acquired 100% of the equity interests in Changshi, a company principally engaged in providing engineering service for exploiting oil, natural gas, coal-bed methane and pre-drilling engineering services in Shanxi Province in the PRC. After the acquisition, Changshi became a directly owned subsidiary of the Group.

36 BUSINESS COMBINATION (Continued)

(a) Summary of acquisition (Continued)

The following table summarises the consideration, the amounts of the assets acquired and liabilities, and the debts acquired at the acquisition date.

	27 April 2017 RMB'000
Total purchase consideration	–
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and banks	764
Receivables	15,276
Property, plant and equipment	3,316
Payables	(18,833)
Total identifiable net assets	523
Gains on bargain purchase (Note 28)	(523)

(b) Purchase consideration – cash inflow

	27 April 2017 RMB'000
Inflow of cash to acquire business, net of cash acquired	–
– cash paid for acquisition-related costs	–
– cash and banks in subsidiary acquired	764
Net cash inflow on the acquisition	764

37 RELATED PARTY TRANSACTIONS

(a) For the period from 1 January 2016 to 31 March 2016, the Group's management is of the view that the following persons are related parties of the Group:

Name of related parties	Relationship with the Group
Mr. Wang Dayong	A director and an ultimate shareholder of the Company holds 27.43% equity interest in the Group.
Mr. Sun Zhong	A director and an ultimate shareholder of the Company holds 24.3% equity interest in the Group.

37 RELATED PARTY TRANSACTIONS (Continued)

(b) For the period from 1 April 2016 to 19 December 2016, the Group's management is of the view that the following persons are related parties of the Group:

Name of related parties	Relationship with the Group
Mr. Wang Dayong	A director and an ultimate shareholder of the Company holds 25.44% equity interest in the Group.
Mr. Sun Zhong	A director and an ultimate shareholder of the Company holds 22.5% equity interest in the Group.

(c) For the period from 20 December 2016 to 30 March 2017, the Group's management is of the view that the following persons are related parties of the Group:

Name of related parties	Relationship with the Group
Mr. Wang Dayong	A director and an ultimate shareholder of the Company holds 25.47% equity interest in the Group.
China Huarong Asset Management Co., Ltd	An ultimate shareholder of the Company holds 19.75% equity interest in the Group.

(d) For the period from 31 March 2017 to 18 May 2017, the Group's management is of the view that the following persons are related parties of the Group:

Name of related parties	Relationship with the Group
Mr. Wang Dayong	A director and an ultimate shareholder of the Company holds 25.47% equity interest in the Group.
China Huarong Asset Management Co., Ltd	An ultimate shareholder of the Company holds 12.35% equity interest in the Group.

(e) For the period from 19 May 2017 to 31 December 2017, the Group's management is of the view that the following persons are related parties of the Group:

Name of related parties	Relationship with the Group
Mr. Guo Jianzhong	An ultimate shareholder of the Company holds 28.08% equity interest in the Group.
China Huarong Asset Management Co., Ltd	An ultimate shareholder of the Company holds 12.35% equity interest in the Group.

37 RELATED PARTY TRANSACTIONS (Continued)

(f) Key management compensation

Key management includes the company secretary and the chief financial officer, vice president of the Company, the legal representatives of Hami Jinhua and Hami Jiatai.

The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	1,550	1,316
Contributions to pension plan	–	–
	1,550	1,316

38 TRANSACTIONS AND BALANCES WITH WARBURG

Other than the transactions with related party identified according to the HKAS 24, the Company would like to disclose the following transactions and balances with Warburg as the Company's executive directors Mr. Li Xiaobin and Mr. Liu Huijie also were appointed as executive directors of Warburg since April 2017:

(a) Transaction with Warburg

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue		
– Engineering service and other related services provided to Warburg	6,650	–
– Interests income due from Warburg	9,048	12,794
	15,698	12,794

(b) Balances with Warburg

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Other receivables		
– Loans and interest receivables due from Warburg		
Current Portion	113,123	109,123
Non-current Portion	–	100,159
	113,123	209,282

39 EVENTS OCCURRING AFTER BALANCE SHEET DATE

a. Collection of other receivables

Other receivables of RMB103,000,000 in relation to loan and partial of interest due from Warburg (Note 16 (a)) were early repaid to the Group in January 2018.

Other receivables of HK$135,000,000(equivalent to RMB112,846,500) due from Merit Progress Investments Limited (Note 16(b)) in relation to the refundable deposit was collected back the Group as at date of this report.

b. Provision of loan facility to Jinzhong JinSheng Agricultural Development Co. Ltd.("Jinsheng")

On 19 January 2018, Jiayi entered into the Loan Agreement with Jinsheng and the Guarantor, Mr. Tian Zhifeng, who is the chairman of Jinsheng. Pursuant to the agreement, Jiayi agreed to provide to Jinsheng a revolving loan facility in the aggregate principal amount of up to RMB100,000,000 for a term of 18 months. The Guarantor shall guarantee Jinsheng's obligations under the Loan Agreement.

The amount of RMB100,000,000 has been lent to Jinsheng by Jiayi in January 2018. The loan was repaid in December 2018.

c. Settlement with Xiaoyi Dajieshan and transferred back of Shaanxi Jiahe to the Group

On 22 May 2018, Hami Jiatai and Xiaoyi Dajieshan have reached an agreement for full settlement of the outstanding receivable, which include the entire equity of Shaanxi Jiahe shall be transferred back to Hami Jiatai from Xiaoyi Dajieshan (Note 16(c)).

As no further filing with the local regulatory bodies is required in relation to the transfer of the entire equity interest, immediately after the settlement, Shaanxi Jiahe became an indirect 95%-owned subsidiary of the Company.

39 EVENTS OCCURRING AFTER BALANCE SHEET DATE (Continued)

c. Settlement with Xiaoyi Dajieshan and transferred back of Shaanxi Jiahe to the Group (Continued)

The following table summarises the consideration, the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	22 May 2018 RMB'000
Total purchase consideration	13,159
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and Cash equivalents	2
Constructions in progress	14,296
Mining rights and exploration rights	15,320
Trade and other receivables	18,231
Other long-term assets	349
Payables to third parties	(25,639)
Payables to the Company and its subsidiaries	(9,400)
Deferred tax liability	(1,115)
Total identifiable net assets	12,044
Goodwill	1,115

	22 May 2018 RMB'000
Inflow of cash to acquire business, net of cash acquired	
– cash consideration	–
– cash and banks in subsidiary acquired	2
Cash inflow on the acquisition	2

40 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		171,785	204,417
Other receivables		33,436	–
Refundable deposit		–	163,367
Total non-current assets		205,221	367,784
Current assets			
Available for sale financial assets		–	114,825
Other receivables and prepayments from third parties		136,124	5,291
Other receivables and prepayments from subsidiaries		91,280	92,562
Cash and cash equivalents		51,996	7,861
Total current assets		279,400	220,539
Total assets		484,621	588,323
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	(18)	137,361	137,361
Share premium	(18)	668,768	668,768
Other reserves	(40(a))	–	5,057
Accumulated losses	(40(a))	(325,338)	(270,214)
Total equity		480,791	540,972

40 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY (Continued)

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
Current liabilities			
Other payables		3,830	2,625
Current-portion of long-term borrowing		–	44,726
Total current liabilities		3,830	47,351
Total liabilities		3,830	47,351
Total equity and liabilities		484,621	588,323

The balance sheet of the Company was approved by the Board of Directors on 10 December 2018 and was signed on its behalf.

Li Xiaobin	**Jia Dai**
Director	*Director*

Note (a) Reserves movements of the Company

	Accumulated losses RMB'000	Other reserves RMB'000
At 1 January 2016	(234,715)	2,518
Loss for the year	(35,499)	–
Change in value of available-for-sale financial assets	–	2,539
At 31 December 2016	(270,214)	5,057
At 1 January 2017	(270,214)	5,057
Loss for the year	(55,124)	–
Transferred from other comprehensive income upon the disposal of available-for-sale financial assets	–	(5,057)
At 31 December 2017	(325,338)	–

FIVE YEARS 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 is set out below:

RESULTS

	Year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	22,845	25,588	3,195	3,504	1,097
LOSS BEFORE INCOME TAX	(46,357)	(34,015)	(103,741)	(63,177)	(45,749)
Income tax (expense)/credit	(1,829)	(1,254)	(608)	6,319	(357)
LOSS FOR THE YEAR	(48,186)	(35,269)	(104,349)	(56,858)	(46,106)
Attributable to:					
Equity holders of the Company	(46,129)	(34,615)	(101,808)	(54,466)	(45,376)
Non-controlling interests	(2,057)	(654)	(2,541)	(2,392)	(730)
	(48,186)	(35,269)	(104,349)	(56,858)	(46,106)

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
TOTAL ASSETS	555,205	936,566	625,051	537,881	614,666
TOTAL LIABILITIES	(64,549)	(392,667)	(149,311)	(169,716)	(182,176)
NON-CONTROLLING INTERESTS	1,080	(977)	(1,631)	(4,172)	(6,564)
	491,736	542,922	474,109	363,993	425,926