YUE DA INTERNATIONAL HOLDINGS LIMITED

悅達國際控股有限公司

(formerly known as Yue Da Mining Holdings Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 629)

ANNUAL REPORT 2018

Contents

Corporate Information

BOARD OF DIRECTORS:

Non-executive directors

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

Executive directors

Mr. Wen Songmao
(Vice Chairman of the Board)
(appointed on 10th October, 2018)
Mr. Mao Naihe
Mr. Hu Huaimin *(Chief Executive)*
Mr. Cai Baoxiang *(appointed on 21st May, 2018)*
Mr. Bai Zhaoxiang
(resigned on 10th October, 2018)

Independent non-executive directors

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

AUDIT COMMITTEE:

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

REMUNERATION COMMITTEE:

Mr. Cui Shuming *(Chairman)*
Mr. Wen Songmao and Dr. Liu Yongping

NOMINATION COMMITTEE:

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

AUTHORISED REPRESENTATIVES:

Mr. Hu Huaimin
Mr. Bai Zhaoxiang

COMPANY SECRETARY:

Mr. Shum Chi Chung *FCPA*

AUDITOR:

Deloitte Touche Tohmatsu,
Certified Public Accountants

LEGAL ADVISERS AS TO HONG KONG LAW:

Jun He Law Offices

REGISTERED OFFICE:

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE:

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE:

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

STOCK CODE:

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

PRINCIPAL BANKERS:

China Merchants Bank
Bank of Communication
Standard Chartered Bank

WEBSITE:

www.yueda.com.hk

Big Step to Deepen Transformation

Wang Lianchun
Chairman

On behalf of the board ("Board") of directors ("Directors") of Yue Da International Holdings Limited (the "Company"), I am pleased to present to the shareholders the results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2018 (the "Year").

FINANCIAL PERFORMANCE

The Group took a further step in business transformation during the Year by disposing of a suspended mine and further developed the factoring business during the Year. Total revenue for the Year amounted to RMB87,429,000, of which it included the revenue of the original mining operations of RMB42,360,000 and factoring business of RMB45,069,000 respectively. The mining operations revenue decreased by 41.9% while the factoring business revenue increased by 585.1% when compared with the year ended 31st December, 2017 ("2017"). Audited loss and total comprehensive expenses attributable to the owners of the Company for the Year amounted to RMB46,515,000 (2017: RMB25,736,000) and basic loss per share amounted to RMB3.98 cents for the Year.

BUSINESS DEVELOPMENT

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

Mining Operations

During the Year, international commodity market prices remained steady. In addition, as mentioned below, Tong Ling Guan Hua was under suspension and was disposed during the Year. For Baoshan Feilong Nonferrous Metal Co., Ltd. ("Baoshan Feilong"), the ore concentrates extracted from raw ore was lower than 2017, as a result, the overall revenue of Mining Operations dropped by 41.1%.

Under Normal Operation

Baoshan Feilong, a subsidiary of the Company, has further strengthened its efforts in exploration activities and made a smooth progress as planned. Major products include zinc ore concentrates, lead ore concentrates and copper ore concentrates. During the Year, production level was lower as a result of additional run-in time required for a new mine to attain normal capacity, therefore, the overall revenue recorded a decrease over last year.

Under Suspension

Tong Ling Guan Hua Mining Company Limited ("Tong Ling Guan Hua"), a subsidiary of the Company, conducts mining operations in Tongling City, Anhui Province of the PRC. Major products include gold and stone for construction.The Group had successfully disposed of Tong Ling Guan Hua to Yue Da Group (H.K.) Co., Limited (the"YDHK"), an immediate holding company of the Company by entering into a share purchase agreement at a consideration of RMB140 million. The transaction was completed on 20 July 2018 after passing the ordinary resolution at an extraordinary general meeting. A gain of disposal of approximately RMB3,701,000 was recorded during the Year.

Strategic Co-operation

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

PROSPECTS

Looking forward to 2019, the environment of the mining business is still uncertain, the Group will focus on the development of the new factoring business and will explore possibilities to dispose the remaining mining operation. In light of the recent business environment and financial conditions of the Group, the Directors endeavor to seek suitable business opportunities in the financial sector to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the shareholders as a whole.

APPRECIATION

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

By order of the Board

Wang Lianchun
Chairman

Hong Kong, 20th March, 2019

The Mining Operations and Factoring Business recorded audited operating revenue of RMB42,360,000 and RMB45,069,000 respectively for the year ended 31st December, 2018. The audited total assets of the Group amounted to RMB1,163,835,000 as at 31st December, 2018.

FINANCIAL HIGHLIGHTS

The mining operations and the factoring business of Group recorded an operating revenue of RMB42,360,000 and RMB45,069,000 respectively for the Year, the mining operations revenue decreased by approximately 41.9% while the factoring operations revenue increased by approximately 585.0% when compared with that in 2017. During the Year, the Company disposed of the discontinued Mining operation in Tong Ling Guan Hua to YDHK successfully with gains arising from subsidiaries disposed of RMB3,701,000. The audited loss and total comprehensive expenses attributable to the owners of the Company increased from RMB25,736,000 in 2017 to RMB46,515,000 for the Year and basic loss per share amounted to RMB3.98 cents for the Year.

DIVIDENDS

The Board did not recommend the payment of any dividend for the Year (2017: nil).

BUSINESS REVIEW

Overview

The Group is principally engaged in Mining Operations and Business Factoring Operations. During the Year, the Mining Operations and Business Factoring Operations realized an operating revenue of RMB42,360,000 and RMB45,069,000 respectively with a segment loss of RMB5,521,000 and segment profit of RMB32,996,000 respectively.

Mining Operations

During the Year, the Mining Operations totally contributed by Baoshan and recorded an operating revenue of RMB42,360,000 (2017: RMB72,898,000). The ores extracted during the Year amounted to 86,208 tons (2017: 101,186 tons) with a unit mining cost of approximately RMB217.67 per ton (2017: RMB136.9 per ton) and unit processing cost of approximately RMB131.3 per ton (2017: RMB140.4 per ton). Production volume in Mining Operations dropped during the Year, As the major part of mining cost is fixed in nature, average costs during the Year increased accordingly. In addition, additional mining costs were incurred for fulfilling the requirements of environmental protection as required by applicable laws, rules and regulations.

The table below sets out the Mining Operations by products for the two years ended 31st December, 2018 and 2017:

	Processing Volume			Average price (net of tax)		
	2018	2017	% change	**2018**	2017	% change
Zinc ore concentrates (in metric tons)	**2,326.85**	3,223.37	–27.81	**13,926.48**	15,170.15	–8.20
Lead ore concentrates (including silver) (in metric tons)	**288.88**	627.57	–53.97	**14,718.89**	13,566.43	+8.49
Copper ore concentrates (in metric tons)	**66.97**	106.16	–36.92	**34,377.00**	32,002.25	+7.42
Gold (in grams)	**–**	26,287.97	–100.00	**273.15**	275.10	–0.71
Stone for construction (in tons)	**–**	60,709.32	–100.00	**47.56**	23.63	+101.27

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

Name of subsidiaries	Products	Revenue	Proportion of the Group
		RMB'000	%
Baoshan Feilong	Lead, zinc and copper ore concentrates	39,841	94.06
Tong Ling Guan Hua	Gold and stone for construction	2,519	5.94
		42,360	100

Factoring business

During the Year, the factoring business recorded an operating revenue of RMB45,069,000 (2017: RMB6,579,000). Loans with total amount of RMB633,000,000 was granted as at 31st December 2018, and recorded interest income and fee income of RMB32,448,000 and RMB10,522,000 respectively. In addition, consultancy services were provided during the year, and recorded service fee income of RMB2,099,000.

IMPORTANT EVENTS DURING THE YEAR

Investment in Vietnam

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

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

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

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

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

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

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

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

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

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

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

On 11th December, 2018, YDM and Daiichi Kigenso Kagaku Kogyo Co Limited ("Daiichi") entered into a loan assignment agreement ("Loan Assignment"). Pursuant to the Loan Assignment, YDM has conditionally agreed to transfer and Daiichi has conditionally agreed to accept to the rights, title, interest and benefits in and to the Loan with a consideration of US$4.8 million. The consideration was settled before 31st December 2018.

On 31st January, 2019, all conditions as stated in the Loan Assignment was fulfilled and the Loan was fully settled.

As at the date of this report, the net carrying amount of the loan owed by Mineral Land was US$4,755,000.

Please refer to the circular of the Company dated 17th April, 2013 and the announcements of the Company dated 17th October, 2013, 23rd January, 2014, 30th June, 2014, 24th December, 2014, 5th January, 2015, 23rd November, 2015, 22nd December, 2017, 11th December, 2018 and 31st January, 2019 for details of the above transactions.

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

On 20th March, 2017, a settlement agreement ("2017 Deposits Settlement Agreement") was entered into between the Vendor, YDM and the Purchaser, pursuant to which, the Vendor agreed to settle all outstanding balances by five instalments before the end of 2018. However, the Vendor failed to settle the balances according to the agreed schedule. On 31st October, 2018, YDM issued a writ of summons in the High Court of the Hong Kong Special Administrative Region (the "Hight Court") against the Vendor in order to safeguard the legitimate rights and interests. On 7th December 2018, the High Court made the final judgement in favour of YDM. YDM is consulting with the legal advisors in Vietnam in order to enforce the judgement.

On 20th March, 2019, the Company, as the seller, and YDHK, as the purchaser, entered into a Sales and Purchase Agreement ("S&P Agreement") to transfer the entire share capital of YDM at a consideration of US$5,600,000. The Sao Mai deposits form the major part of the assets of YDM. As the S&P Agreement constitute a discloseable and connected transaction, the completion of the transaction will be subject to the Poll results of the Extraordinary General Meeting. As at the date of this report, the net carrying amount of Sao Mai deposits are US$5,566,000.

Please refer to the announcements of the Company dated 5th September, 2013, 30th June, 2014, 24th December, 2014, 20th March, 2017, 8th June, 2017, 31st October, 2018 and 20th March, 2019 for details of the above transactions.

Prospects

Looking forward to 2019, the environment for the mining business is still uncertain and the Group has shifted its business focus to factoring business, and will focus on the factoring business in the future. In light of the recent business environment and financial condition of the Group, the Directors endeavor to seek business opportunities in the financial industry to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the shareholders as a whole.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14th May, 2019 to 17th May, 2019, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to determine the identity of the shareholders of the Company who are entitled to attend and vote at the annual general meeting (the "AGM") of the Company to be held on 20th May, 2019, all transfer of shares in the Company accompanied by the relevant share certificates must be lodged with the Company's branch shares registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 10th May, 2019.

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

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

As at 31st December, 2018, the Group's current assets were RMB896,826,000 (2017: RMB693,154,000), of which RMB162,563,000 (2017: RMB506,240,000) were bank balances and cash. As at 31st December, 2018, the net asset value of the Group amounted to RMB336,837,000, representing a decrease of approximately 18.7% as compared to RMB414,123,000 in 2017. The gearing ratio (total liabilities/total assets) of the Group was approximately 71.1% (2017: 64.2%).

Borrowings

As at 31st December, 2018, bank borrowings and corporate bonds amounted to RMB348,624,000 (2017: Nil) and RMB147,304,000 (2017: RMB138,003,000), respectively. Bank borrowings are denominated in Euro, charging at floating rates and repayable in 2021. Corporate bonds are denominated in Hong Kong dollars, charging at fixed rate and repayable in 2019.

FOREIGN CURRENCY EXPOSURE

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

CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2018 and 31st December, 2017, the Group did not have any guarantees and charges nor any other material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31st December, 2018, the Group had a total of approximately 318 employees (where they were located in Hong Kong and the PRC), engaged in management, administration and mining. The management reviewed the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practices. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the Year, the Group provided various training courses on relevant business or skills for its management and staff at different levels.

PRINCIPAL RISKS

The Group's financial position, business results and prospects would be affected by a number of risks. The mining operation is vulnerable to policy risks, risks of macro-economy and safety production while the new business factoring operation is exposed to credit risk and liquidity risk. Besides, several assets and liabilities of the Group are denominated in currencies other than Renminbi and are susceptible to foreign exchange risk. The Group's principal risks and uncertainties and the risk management measures are set out on pages 42 to 43 of the Annual Report.

ENVIRONMENTAL POLICIES AND PRACTICE

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

DIVIDEND POLICY

It is the Board's intention to distribute any excess balance by way of dividend to the extent permitted by law, the Memorandum and the Articles. Dividends will only be paid to the extent that they are covered by net profit from operations. Distribution will be made annually after the financial statements of the Company are approved by the shareholders as appear to the Board to be justified by the position of the Company. Distribution will be made in Hong Kong dollars.

As the Company does not have any pre-determined dividend distribution ratio, the declaration of future dividends will be subject to the decision by the Board and will depend on, among other things, the earnings, financial condition, cash requirements and availability of funds to meet the financial covenants of the Group's bank loans (if applicable) and any other factors that our Directors may consider relevant.

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

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

In the opinion of the Board, the Group has complied with all of the code provisions of the Corporate Governance Code ("Code") as set out in Appendix 14 to the Listing Rules throughout the Year, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 18th May, 2018 (the "2017 AGM") and the extraordinary general meeting of the Company held on 20th July 2018 (the "July EGM") and 20th November 2018 (the "November EGM") and (deviated from code provision E.1.2) due to other business commitment. Nevertheless, one of the executive Directors attended and acted as the chairman of the 2017 AGM, July EGM and November EGM; (ii) Mr. Qi Guangya, being a non-executive Director, was not able to attend the 2017 AGM, July EGM and November EGM, (deviated from code provision A.6.7) due to his other business commitments; (iii) Mr. Cheung Ting Kee and Dr. Liu Yong Ping, being independent non-executive Directors, were not able to attend the 2017 AGM, (deviated from code provision A.6.7) due to his other business commitments. Nevertheless, each of these Directors has passed their opinion to the chairman of the 2017 AGM, July EGM and November EGM before its commencement; and (iii) the non-executive Directors are not appointed for a specific term (deviated from code provision A.4.1). However, all non-executive Directors are subject to retirement and rotation once every three years in accordance with the Company's Articles of Association.

BOARD OF DIRECTORS

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

The main duties of the Board include:

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

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

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

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

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

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

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

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

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

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

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

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

	General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	3	7	3	1	3
Attendance					
Chairman and non-executive Directors					
Wang Lianchun	0	0	0	0	0
Non-executive Directors					
Qi Guangya	0	1	0	0	0
Executive Directors					
Wen Songmao	0	3	0	0	0
Mao Naihe	1	7	0	1	0
Hu Huaimin	3	7	0	0	0
Cai Baoxiang	1	4	0	0	0
Bai Zhaoxiang	1	4	0	0	0
Independent non-executive Directors					
Cui Shuming	3	7	3	1	3
Liu Yongping	2	7	0	1	3
Cheung Ting Kee	2	7	3	0	0

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

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

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

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

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

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

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

Notes:

A Attending seminars and/or conferences and/or forum

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

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

CHAIRMAN AND CHIEF EXECUTIVE

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

NON-EXECUTIVE DIRECTORS

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

Directors' responsibility for the Financial Statements

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

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

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

Review of continuing connected transactions	HK$50,000
Professional services rendered in connection with major transaction	HK$380,000

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

BOARD COMMITTEES

Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Remuneration Committee

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

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

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

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

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

Nomination Committee

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

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

The principal duties of the Nomination Committee are as follows:

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

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

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

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

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

Risk Management and Internal controls

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

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

Company Secretary

Mr. Shum Chi Chung was appointed as the Company Secretary with effect from 18th August, 2015. All Directors have access to the advices and services of the Company Secretary. During the year ended 31st December, 2018, Mr. Shum Chi Chung has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

Investors' Relations and Communication with Shareholders

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

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

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

Shareholders may also receive the latest information released by the Company electronically. The annual general meeting of the Company is a communication channel between the shareholders and the Board members, including independent non-executive Directors and the senior management. The chairman of the Board and chairmen of each committee shall try their best to attend the meeting to answer questions raised by the shareholders. During the Year, the Company held the 2017 AGM and two EGMs, at which a separate resolution was proposed in respect of each motion.

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

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

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

Shareholders' Rights

Pursuant to article 64 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

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

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

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

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

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

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

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

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

SCOPE AND REPORTING PERIOD

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

The Group principally engaged in exploration, mining, processing and sale of metal minerals; and commenced the factoring business in the second half of the fiscal year 2017. The factoring business was excluded from the reporting scope in the fiscal year 2017 due to its insignificant contribution to the Group's revenue and environmental and social impact. With the growth of its factoring business, the business had become one of the major businesses of the Group with a higher contribution to the Group's revenue. Therefore, the factoring operation has now been included in the reporting scope of this ESG Report.

This ESG Report covers the Group's overall performance in two subject areas, namely Environmental and Social of the mining operation of Baoshan Feilong Nonferrous Metal Company Ltd. ("Baoshan Feilong") and the factoring business of Yueda (Shenzhen) Commercial Factoring Co. Ltd., from 1st January 2018 to 31st December 2018, unless otherwise stated. Baoshan Feilong conducts mining operations in Baoshan City, Yunnan Province of the People's Republic of China ("PRC"). Major products are zinc ore concentrates, lead ore concentrates and copper ore concentrates. Yueda (Shenzhen) Commercial Factoring Co. Ltd. provides factoring services, accounts receivable management and collection, and factoring consultancy services. Other business operations being disposed of during the reporting period (e.g. Tong Ling Guan Hua Mining Company Ltd.) and those with insignificant contribution to the Group's revenue and environmental and social impacts were excluded from the reporting scope.

Stakeholder Engagement and Materiality

In order to identify the significant ESG aspects of the Group's business operation, the Group regularly engages internal and external stakeholders to discuss and to review areas of attention. Feedback and suggestions from stakeholders help the Group to identify potential ESG risks and continuously improve its ESG management. Stakeholder engagement channels are shown as follows.

Stakeholder Groups	Engagement Channels
Employees	The management and supervisors obtain employees' feedback and understand employees' work and development through meetings.
Clients	The Group gains updates of clients' latest development and operation through meetings and monthly/quarterly visits.
Local communities	The Group pays attention to the local communities, especially the underprivileged. It conducts visits to provide appropriate support or assistance to the underprivileged whenever possible.
Non-governmental organizations	As the vice president of the Shenzhen Factors Association, Yueda (Shenzhen) Commercial Factoring Co. Ltd. actively promotes networking and information sharing among the factoring industry in Shenzhen.

In particular, the Group collected views from the internal stakeholders through surveys to identify the material ESG aspects to be focused in this ESG Report. The following five aspects were the material aspects of the Group's operation:

- Waste and effluent;
- Environmental protection measures;
- Employment;
- Occupational health and safety; and
- Anti-corruption.

The Group has strictly complied with the statutory requirements in respect of the identified material aspects. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to share and exchange ideas for advancing the Group's ESG management.

Stakeholders' Feedback

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

The Group's Vision on Environment, Social and Governance

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

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

The Board of the Group understands that it has overall responsibility for the Group's ESG strategy and reporting. The Board reviews ESG performances annually and discusses new environmental management approaches, compliances with ESG-related laws and regulations, and the material aspects and associated risks identified by stakeholders.

A. Environmental

Yueda (Shenzhen) Commercial Factoring Co. Ltd. involved office operation only, thus did not contribute to significant adverse impact on the environment and natural resources. The Group has no specific policy for environmental management including emissions, use of resources and the environment and natural resources. However, it is committed to complying with all applicable laws and regulations regarding its operations. Baoshan Feilong was in compliance with the Mine Safety Law and the Production Safety Law of the PRC. The Group treats air emission and water discharge in accordance with the Emission Standard of Pollutants for Lead and Zinc Industry (GB 25466-2010) of the PRC, and the quality is tested by third-party testing laboratories.

Total mining area coverage of Baoshan Feilong was approximately 5.01 km^2 and its production (including zinc, lead and copper products) in the reporting period was 2,965.50 tonnes. Intensities for the mining operation are calculated as the units of resources consumed or wastes generated per tonnes of production.

A1. Emissions

A1.1 Air Emissions

During the reporting period, employees and guests consumed liquefied petroleum gas ("LPG") for canteen operation, and petrol and diesel for Group-owned vehicles and LPG for canteen operation, which contributed to the emission of nitrogen oxides ("NOx"), sulphur oxides ("SOx") and respiratory suspended particles ("PM").

		Air emissions (non-GHG) from gaseous combustion and vehicles		
Fuel Source	**Use of fuel**	**NOx (in kg)**	**PM (in kg)**	**SOx (in kg)**
LPG	For canteen operation	0.07	NA	0.003
Petrol	For vehicles	5.93	0.71	0.18
Diesel	For vehicles	12.70	0.54	0.10
TOTAL		18.70	1.25	0.28

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

A1.2 Greenhouse Gas ("GHG") Emissions

Scope of GHG Emissions	Emission Sources	Emission (in tonnes of carbon dioxide equivalent "tCO_2e")	Total Emission Percentage
Scope 1 Direct Emissions			
Combustion of fuel for stationary sources	LPG	1.21	
Combustion of fuel for mobile sources			1%
	Petrol	32.77	
	Diesel	17.19	
Scope 2			
Energy Indirect Emissions	Purchased electricity	5,557.85	98%
Scope 3			
Other Indirect Emissions	Paper waste disposal	1.65	1%
	Sewage processing	30.65	
	Business air travel	31.50	
Total		5,672.82	100%

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

Note 2: Combined margin emission factor of 0.63 tCO_2/MWh was used for purchased electricity from China Southern Power Grid of the PRC.

Note 3: Since surface water was used for the mining operation and water data was not available for the factoring operation, the above table did not include GHG emission from freshwater processing.

There were 5,672.82 tCO_2e emission from the Groups operation (mainly carbon dioxide, methane and nitrous oxide) (emission intensity of 1.91 tCo_2e/tonnes of production) from the Group's operation in the reporting period. Due to the expanded reporting scope, the emission intensity had slightly increased when compared to the last reporting period.

A1.3. Hazardous Waste

The Group did not involve in metal smelting and no hazardous waste was generated during the reporting period.

A1.4. Non-hazardous Waste

85,500 tonnes (waste intensity of 28.83 tonnes of waste/tonnes of production) of mine tailings were generated in the reporting period. Mine tailings were used for mine backfill.

Industrial Waste Water

151,190 m^3 (wastewater intensity of 50.98 m^3 of wastewater/tonnes of production) of wastewater was generated from dewatering of mine tailings. The wastewater intensity had significantly increased when compared to the last reporting period, which was mainly due to the improved and more comprehensive wastewater data collection during the reporting period. The wastewater was treated by sedimentation before discharging to the river. During the reporting period, Baoshan Feilong has built two additional sedimentation tanks which increased the capacity for sedimentation by 700 m^3.

A1.5. Measures to Mitigate Emissions

Business travels are inevitable in the Group's business operation. The Group is aware travelling in business-class has a higher carbon footprint than in economy-class. It opts for economy-class for most of its travels. To further reduce emission of air pollutants and GHG, employees are encouraged to use public transportation such as the metro, bus and shared bicycles for commuting whenever possible.

A1.6. Waste Reduction and Initiatives

To reduce the adverse impact caused by mine tailing disposal, mine tailings were backfilled. The Group also strives to reduce paper waste by reusing single-side used paper. Reminders have been posted at conspicuous locations in toilets to remind employees to avoid the use of tissue paper.

A2. Use of Resources

A2.1. Energy Consumption

Energy Consumption Sources	Use of Fuel	Direct Consumption	Consumption (in kWh)
LPG	For canteen operation	400.50 kg	5,582.41
Petrol	For vehicles	12,157.21 L	107,732.98
Diesel	For vehicles	6,212.06 L	62,110.29
Electricity	For mining and factoring operations	8,817,082 kWh	8,817,082

The total energy consumed in kWh was 8,992,508 kWh (energy intensity of 3,032.37 kWh/tonnes of production) during the reporting period.

A2.2. Water Consumption

Baoshan Feilong consumed surface water for its operation. The amount of water consumed was within the statutory limit and no issue in sourcing water that is fit for purpose occurred during the reporting period. The consumption by Baoshan Feilong was 338,026 m^3 (water intensity of 113.99 m^3 of water consumption/tonne of production). The water intensity had significantly increased when compared to the last reporting period, which was mainly due to the improved and more comprehensive water data collection during the reporting period.

Water consumption of the factoring operation was managed by the building management of the office and respective data was not available, but it is noteworthy that the water consumption was insignificant.

A2.3. Energy Use Efficiency Initiatives

Electricity has been used for the office operation, ore dressing and electricity consumption for underground work. The Group turns off unnecessary air conditioners and lightings during lunch breaks and after work hours. The administration department usually control the temperature of the air conditioners at 26 degree Celsius or above. To reduce energy use, only ventilation fans are switched on during winter period.

A2.4. Water Use Efficiency Initiatives

The Group reduces consumption of water resources and reuses water whenever possible. In the mining operation, 58% of the water was reused during the reporting period. In the factoring operation, reminders have been posted at conspicuous locations in toilets to remind employees to conserve water.

A2.5. Packaging Materials

The Group was not involved in the use of packaging materials.

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

Types of emission sources the Group's operations involved in the reporting period were mainly LPG, petrol, diesel and electricity, with generation of non-hazardous waste and industrial wastewater. The Group understands that purchased electricity was the major source of its GHG emission. Therefore, it strives to reduce electricity consumption whenever possible. During the reporting period, it has also planted 600 trees to enhance absorption of carbon dioxide.

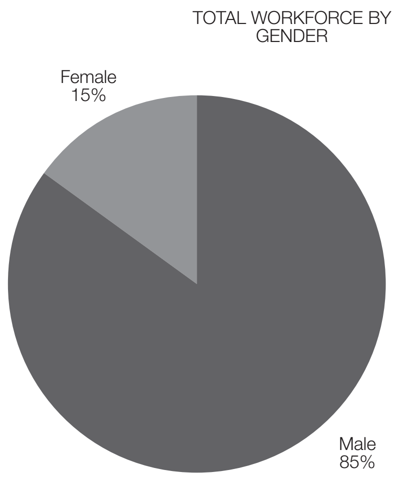
B. SOCIAL

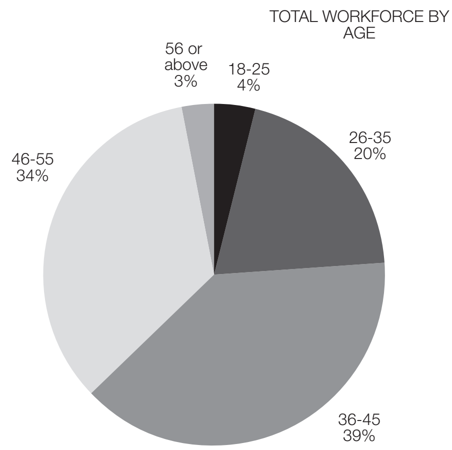
1. Employment and Labour Practices

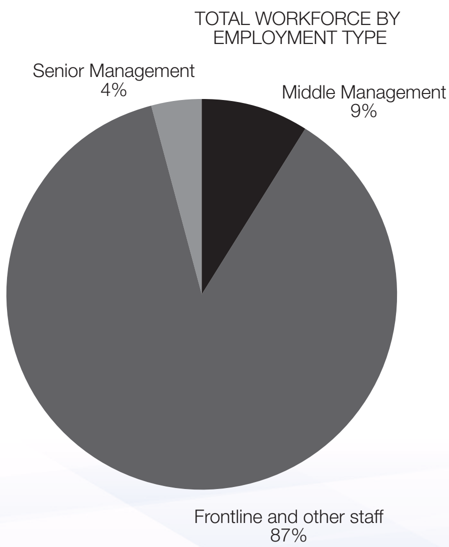
B1. Employment

The Group had a total number of 318 employees as of 31st December 2018, in which all employees are from various provinces in PRC. A total of 46 employees had left the Group during the reporting period (turnover rate 14%).

There was no material non-compliance in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact to the Group during reporting period.







Competitive Compensation and Benefits Package

Employees are entitled to basic salary with various allowance as per their job positions, duties, experience and work performance. The Group provides social insurance (including pension fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) according to the Social Insurance Law of the PRC. Commercial combined insurance was also purchased for employees in the factoring operation. Various types of leave are provided including annual, sick, work-related injury, marriage, maternity and compassionate leave. The Group reviews employees' salary annually and provides subsidies on telecommunication charge and meals. Employees living 200 kilometres from the workplace are also entitled to 1.5 days of transportation leave per year.

Recruitment, Internal Promotion and Dismissal

The Group recruits in an open and transparent manner. Internal promotion and salary increment are offered to existing employees and selection is based on reviewed work capability, attitude, and quality of work of employees through performance appraisals. Employees' performance is reviewed during probation period and year end. The Group also possesses a policy regarding procedures or terms for determining job posts, salary and management levels.

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

Equal Opportunity

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

Employee Communication

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

Engagement activities are regularly organised to enhance employees' sense of belonging. During the reporting period, the Group and the Workers' Congress have arranged fun games outdoor and departmental team-building activities to build workplace camaraderie and improve teamwork

B2. Employee Health and Safety

Occupational Health and Safety

The Group is committed to ensuring a safe and healthy working environment for employees and to strengthening workforce regardless of their age, gender and ethnical backgrounds. It puts safety at highest priority and adopts a preventive approach to occupational hazards. In Baoshan Feilong, safety performance has been constantly reviewed and improved through:

- Strengthening accountability of safety performance;
- Reviewing safety performance through meetings;
- Ensuring safety compliance through inspections and rectifications;
- Enhancing safety education provided to employees; and
- Promoting safety awareness through posters and slogans.

Employees are constantly being reminded of the health and safety knowledge and emergency incident procedures through notice boards, occupational health and safety regulations and the hazard warning labels that are posted at conspicuous locations. Safety trainings and personal protective equipment are provided to employees with respect to the national regulations. The Safety and Environmental Committee has been assigned to provide annual occupational body health checks to employees and to monitor employees' health conditions. The annual health check was conducted in 30 – 31 August 2018 during the reporting period. No employees were identified with occupational disease.

Occupational Health and Safety Data in 2018	
Work related fatality	1
Work injury cases >3 days	210
Work injury cases ≤3 days	6
Lost days due to work injury	6,212 days

There was a case of work-related fatality in the mining operation during the reporting period. The case was identified as an accident. Baoshan Feilong has strengthened safety training and reviewed and improved effectiveness of disciplinary actions, specifically disciplinary actions for safety violations.

The Group believes that providing a healthy and comfortable environment for employees is important for employee wellness. The Group therefore ensured good ventilation and installed indoor air purifiers at the office. There was no material non-compliance in relation to providing a safe working environment and protecting employees from occupational hazards that have a significant impact to the Group during reporting period.

Safety Inspections

Internal safety inspections had been conducted regularly and 70 employees were identified and penalized due to violations of safety rules and procedures. The inspections had effectively reduced the number of habitual violations during daily operation. The hazard assessment had identified 386 potential hazards and relevant measures had been implemented for rectification.

B3. Development and Training

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

A training score management is adopted in the factoring operation to encourage employees to participate in internal training, external training and academic advancement programs. In the factoring operation, training sessions regarding industrial knowledge, relevant laws, regulations, news and politics are arranged quarterly. To ensure cost effectiveness of training, the Group identifies employees' training needs through questionnaires before conducting large-scaled training.

Training and Development Data in 2018	
Total Number of Employees	318
Total Training Hours	13,379
Percentage of Employees trained by Gender	
– Male	99%
– Female	100%
Percentage of Employees trained by Employment Category	
– Senior Management	92%
– Middle Management	97%
– Frontline and Other Employees	100%
Average Training Hours Completed per Employee by Gender	
– Male	43.61
– Female	33.19
Average Training Hours Completed per Employee by Employee Category	
– Senior Management	36.92
– Middle Management	69.52
– Frontline and Other Employees	26.09

B4. Labour Standards

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

2. Operating Practices

B5. Supply Chain Management

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

Although the Group has no policy on managing environmental and social risks of supply chain, when purchasing renovation materials and furniture for the office of the factoring operation, the Group opted for those with good environmental performances. The Group also takes into account the brand perception, popularity and background of suppliers when choose suppliers.

B6. Product Responsibility

In the mining operation, the Group focuses on safe and scientific development in order to become a more sizeable, premium and competitive enterprise. Baoshan Feilong ensures that product quality meets customers' expectation by providing samples. In the factoring operation, the Group has rigorous risk control measures to reduce risks associated with factoring business. Before loan approval, the Group conducts due diligence investigation to assess customer's loan repayment capacity and the associated risks. Due diligence reports will then be reviewed and approved by professional parties before the agreement is being drafted by the legal department. The agreement serves to protect the Group from operational risks and will be signed by professional law firms. The Group also targets state-owned enterprises as their major customers, which are relatively stable more resilient to risks.

The Group did not involve in product recall due to health and safety reasons, advertising and labelling. There was no material non-compliance regarding health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress recorded during reporting period.

Customer Data Protection and Privacy

Confidential information includes all confidential information or trade secrets of the Group. All employees acknowledge and warrant not to disclose the above information by signing the employment contract. Important information and data are managed by a dedicated person and registration is required for accessing such information and data. Employees violating the confidentiality-related regulations can be dismissed.

B7. Anti-corruption

There was no policy for anti-corruption issued by the Group, but the Group is committed to managing all business without undue influence and has regarded honesty, integrity, and fairness as its core values. The Group proactively engages employees of different management levels in integrity promotion activities, which covers the regulation "Six prohibitions and six bans" developed by the Group. During the reporting period, the Group organized visits to the anti-corruption education exhibition and cultural park in the PRC.

The "Six prohibitions and six bans" Regulation

The "six prohibitions"	– Engaging in activities unrelated to work during working hours;
	– Offering advantages including service or favour to relatives and friends by exercising right or power at work;
	– Receiving kickbacks, shares or performance shares of Group-related corporates in the name of employee himself/herself or a person with specific relationship with the employee;
	– Conducting deceitful, fraudulent or anti-competitive practices in bidding activities;
	– Causing accidents related to safety production and environmental protection which contribute to loss and damage to the Group due to negligence of duties; and
	– Engaging in activities that violate national laws and regulations, the Party rules or ethical standards.
The "six bans"	– Engaging in bribery;
	– Appropriating Group-owned properties;
	– Investing in or receiving shares or performance shares violating the regulations;
	– Engaging in corruption, embezzlement frand and encroachment;
	– Disclosing trade secrets; and
	– Involving in negligence of duties.

The Group was in compliance with all applicable laws on prohibiting corruption and bribery of the PRC. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the reporting period.

B8. Community Investment

Poverty Alleviation

In July 2018, the Guangdong Factors Association and Shenzhen Factors Association initiated a poverty alleviation and Party building activity, with the slogan "To care for the poor and alleviate poverty". During the activity, two employees of the Group participated in a visit to Shanwei, Guangdong Province of the PRC to support 43 families in poverty through the provision of basic electrical appliances. The Group spent a total of RMB13,914 for purchasing electric fans and rice cookers for the families in Shanwei.

Financial Assistance for Students in Poverty

A total of 9 senior management and Party members of the Group cooperated with Guizhou Boning Secondary School to provide financial aid to the financially poor students with good academic performances. The financially poor students were identified by the Poverty Development Bureau of Guizhou Province of the PRC. Each donor of the Group was committed to donating RMB1,000 per year to one student until the student completes his/her secondary school study. For each RMB1,000 donated by the Group, Guizhou Boning Secondary School will donate same amount of financial aid to the same student.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Wen Songmao, aged 47, was appointed as an executive Director and vice chairman of the Board in October 2018. Mr. Wen graduated with a bachelor's degree in computer information management from Nanjing Agricultural University in July 2001, and a bachelor's degree in accounting from the Renmin University of China in July 2006. Upon graduation, Mr. Wen worked as an accountant at various companies in the People's Republic of China (the "PRC") for approximately 7 years, and was the chief financial officer of Yancheng Haisen Materials Company Limited and Jiangsu Yueda Special Vehicle Company Limited from May 1998 to September 2002 and March 2006 to August 2011, respectively. Mr. Wen joined Yueda Capital Company Limited since September 2011, which owns 100% of issued share capital of Yueda Capital (HK) Limited and Yueda Capital (HK) Limited owns 51.34% issued share capital of the Company. Mr. Wen is currently the general manager of Yueda Capital Company Limited and a director of Yueda Capital (HK) Limited.

Mr. Mao Naihe, aged 56, was appointed as an executive director of the Company in August 2015. He is also the vice chairman of Yue Da Group (H.K.) Co., Limited ("Yue Da HK"), a substantial shareholder of the Company interested in approximately 17.88% of the issued share capital of the Company. Mr. Mao graduated from Nanjing Normal University with major in Biology and obtained his postgraduate degree in Agricultural Applied Economics from University of Bonn, Germany. He was a part-time professor/supervisor for doctoral students at Hehai University, China, an associate research fellow at the Biotechnology Research Centre of the Fujian Academy of Agricultural Sciences, the manager of the investment information department and strategy department of Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da") (a substantial shareholder of the Company interested in 100% interests in Yue Da HK and deemed interest in 69.07% of the issued share capital of the Company) and the general economist of Shanghai Yueda New Industrial Group Company Limited. He has over 25 years of experience in the areas of biotechnology application, technical economics and industrial investment.

Mr. Hu Huaimin, aged 45, joined the Group in January 2007 and was appointed as an executive Director in August 2011. He is also the chief executive of the Company. His major job responsibilities include the overall business operations of the Group focusing on strategic planning and business development. Mr. Hu graduated from the Law School of Nanjing University and is qualified as a Chinese lawyer and an economist. He has over 20 years of experience in the PRC legal practice, corporate legal affairs, investment project operation and management. Mr. Hu is a director of each of nine subsidiaries of the Group.

Mr. Cai Baoxiang, aged 53, was appointed as an executive director and vice chief executive of the Company. He is also the Chairman of Yueda (Shenzhen) Commercial Factoring Co., Ltd., an indirect wholly-owned subsidiary of the Company. Mr. Cai is an intermediate economist in the PRC and graduated from Jiangsu Open University with major in Financial Management. He has over 30 years' experience in banking and business factoring.

NON-EXECUTIVE DIRECTORS

Mr. Wang Lianchun, aged 48, joined the Group as a non-executive director and the chairman of the Board of the Company in January 2015. Mr. Wang is also the chairman, the executive director of Jiangsu Yueda Investment Co. Ltd（江蘇悅達投資股份有限公司）(Stock Code: SHA600805), a company listed on the Shanghai Stock Exchange. Mr. Wang obtained a graduate diploma from Jiangsu Provincial Committee Party School（江蘇省委黨校）. He started working in August 1988. He was the deputy party secretary of Yifeng town, suburb of Yancheng city; the deputy party secretary, mayor and party secretary of Louwang town, Yandu county; a member of the Standing Committee of the City Committee; the head of the Publicity Department and executive vice mayor of Dafeng city; the deputy secretary, acting chief and chief of Funing county; the deputy secretary general of the Yancheng municipal government; the director of the Management Committee and the deputy secretary of the Working Committee of Yancheng Economic and Development Zone; the director of the Management Committee and the deputy secretary of the Working Committee of Yancheng Economic, Technology and Development Zone; and the secretary of the Working Committee of the Party of Yancheng Integrated Free Trade Zone. He has been a member of the sixth City Committee of Yancheng and the deputy to the 12th People's Congress of Jiangsu province. He is a member of the 13th National People's Congress of the PRC.

Mr. Qi Guangya, aged 50, joined the Group as a non-executive Director since January 2007. Mr. Qi is a director of Jiangsu Yue Da Investment Co. Ltd.（江蘇悅達投資股份有限公司）(Stock code: SHA600805), a company listed on the Shanghai Stock Exchange. Mr. Qi is a senior accountant and a certified public accountant in the PRC and a senior international finance manager certified by International Finance Management Association（國際財務管理協會）. He graduated from Jiangsu Provincial Party Committee School（江蘇省委黨校）with a postgraduate degree. In 1991, Mr. Qi joined a subsidiary of Jiangsu Yue Da. He has over 20 years experience in financial management. He was a director, chief accountant and deputy general manager of Jiangsu Yue Da and he is currently the Vice Chairman and general manager of Jiangsu Yue Da.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cui Shuming, aged 81, has been appointed as an independent non-executive director of the Company since January 2007. He is a senior economist in the PRC and graduated from the People's University of China. He has over 40 years' experience in international finance and corporate planning and management. Mr. Cui was deputy head of the Bank of China, Jiangsu Branch, and managing director of the National Commercial Bank Ltd.（浙江興業銀行）and the general manager of its Hong Kong branch. Mr. Cui was a director and deputy chief executive officer of Ka Wah Bank Limited and is currently, an independent non-executive director of Burwill Holdings Limited (Stock code: 0024) and China LotSynergy Holdings Limited (Stock code: 1371), the shares of which are listed on the Main Board of the Stock Exchange.

Dr. Liu Yongping, aged 63, has been appointed as an independent non-executive director of the Company since June 2010. He is a consultant of a firm of solicitors in Hong Kong. Dr. Liu graduated from Renmin University of China（中國人民大學）in 1983 with a bachelor degree in law, and graduated from the University of London in 1987 with a master degree in law. In 1994, Dr. Liu graduated from the University of Oxford with a doctor of philosophy. Previously, Dr. Liu worked for the People's Government of Beijing. At present, Dr. Liu is a practicing solicitor in Hong Kong. Dr. Liu has profound knowledge in the laws of the PRC, Hong Kong and England. Since 1994, Dr. Liu has embarked in areas on listing application for PRC based companies in Hong Kong and work on merger and acquisition. Dr. Liu is acquainted with matters concerning the Listing Rules. Dr. Liu is an independent non-executive Director of Wanjia Group Holdings Limited (Stock code: 0401).

Mr. Cheung Ting Kee, aged 49, has been appointed as an independent non-executive director of the Company since July 2015. He has over 24 years of working experience in the securities industry including equity research, equity sales, fund management and corporate finance. Mr. Cheung is currently the sole director and a responsible officer of a Hong Kong company being a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance ("SFO"). Mr. Cheung obtained a Bachelor of Business Administration degree and a Master in Professional Accounting. He is a fellow member of the Institute of Certified Management Accountants, Australia. Mr. Cheung is currently an independent non-executive director of Deson Construction International Holdings Limited (Stock code: 8268), a company listed on the Growth Enterprise Market of the Stock Exchange.

The Board of Directors presents the annual report and the audited consolidated financial statements of the Company for the year ended 31st December, 2018.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 60 of this annual report.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2018.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past financial years is set out on page 158 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the Year, the Group spent approximately RMB12,293,000 on property, plant and equipment.

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

SHARE CAPITAL

Details of the Company's share capital as at 31st December, 2018 are set out in Note 26 to the consolidated financial statements.

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2018, which represent the share premium, contributed surplus and accumulated losses, were RMB188,926,000.

BUSINESS REVIEW

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

PRINCIPAL RISK AND UNCERTAINTIES

1. Policy risks

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

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

2. Risks of macro-economy

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

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

3. Risks of safety production

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

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

4. Effects of changes in exchange rates

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

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

(2) bank loan which is denominated in Euro; and

(3) corporate bond and part of amount due to Yue Da HK which are denominated in HK$.

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

5. Credit risk

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

6. Liquidity risk

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

More information of the Group's environmental performance is set out in the section headed "Environmental, Social and Governance Report" on pages 24 to 37.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

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

DIRECTORS

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

Non-executive Directors:

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

Executive Directors:

Mr. Wen Songmao *(Vice Chairman of the Board)*
Mr. Mao Naihe
Mr. Hu Huaimin *(Chief Executive)*
Mr. Cai Baoxiang

Independent non-executive Directors:

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

In accordance with article 108(A) of the Company's articles of association, Mr. Hu Huaimin, Dr. Liu Yongping and Mr. Cheung Ting Kee will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

DIRECTORS' REMUNERATION

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 38 to 40 of the annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Options" in page 47 of the annual report, no equity – linked agreements were entered into by the Group, or existed during the Year.

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

As at 31st December, 2018, the interests of each Director and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of the Company/ associated corporation	Capacity	Number of ordinary shares *(Note i)*	Approximate percentage of issued share capital of the Company *(Note ii)*	Number of options granted and underlying shares
Hu Huaimin	The Company	Beneficial Owner	1,565,060 (L)	0.13%	434,394 *(Note iii)*

Notes:

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

ii. The percentage of issued share capital of the Company is calculated by reference to 1,168,626,516 shares in issue as at 31st December, 2018.

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

Other than as disclosed above and in this annual report, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations as at 31st December, 2018.

SHARE OPTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Further particulars and details of movements of the Scheme are set out in Note 32 to the consolidated financial statements. There were no share options exercised during the Year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's Scheme disclosed above, at no time during the Year was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Further, save for the Scheme, the Group had not issued or granted any convertible securities, options, warrants or other similar rights during the year. As at 31st December, 2018, the Group had no redeemable securities.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

The following are the continuing connected transactions that took place during the year ended 31st December, 2018 and which were not exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

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

On 11th November, 2018, the Company (as tenant) entered into a tenancy agreement (the "HK Office Tenancy Agreement") with Yue Da HK (as landlord) for renting the Company's office in Hong Kong for a term of one year from 1st January, 2019 to 31st December, 2019. The rental payable to Yue Da HK is HK$260,000 per month (excluding rates, management fees and utility charges). Yue Da HK is a controlling shareholder of the Company and accordingly is a connected party. Further, the Company has, on the same date, also entered into three tenancy agreements with Yue Da Enterprise for staff quarter purpose, each for a term of one year from 1st January, 2019 to 31st December, 2019 and at a monthly rental of HK$18,000, HK$15,000 and HK$20,000, respectively. Yue Da Enterprise is a fellow subsidiary of the Company and deemed to be a connected party. During the Year ended 31st December, 2018, the total rentals paid and payable by the Company to Yue Da HK and Yue Da Enterprise are HK$3,120,000 (equivalent to RMB2,633,000) and HK$636,000 (equivalent to RMB537,000), respectively. These transactions constituted continuing connected transactions of the Company and are subject to announcement and reporting requirements under Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 11th November, 2018.

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

Details of the above continuing connected transactions and other discloseable connected transactions are set out in Note 40 to the consolidated financial statements.

Share purchase agreements ("SPA") with Yue Da HK

On 28th May, 2018, the Company (as seller) entered into a share purchase agreement (the "SPA") with Yue Da HK (as purchaser). Pursuant to the SPA, the Company has conditionally agreed to sell and Yue DA HK has conditionally agreed to purchase the Sale Shares at a consideration of RMB140 million.

The Sale Shares represents the entire share issued share capital of the Target Company, which is an investment holding company and its principal asset is the 70% of the issued share capital of Tong Ling Guan Hua. Tong Ling Guan Hua conducts mining operations in Tongling City, Anhui Province of the PRC and its major products include gold and stone for construction. All conditions precedent have been fulfilled and the completion of the SPA took place after passing the ordinary resolution in the Extraordinary General Meeting on 20th July, 2018.

The entering into of the SPA would present an opportunity of the Company to change its principal business from mining to business factoring. Besides, the consideration paid by Yue Da HK is higher than the valuation of the relevant interest in Tong Ling Guan Hua. The board of directors are of the view that the terms and conditions of the SPA and the transaction are fair and reasonable and are in the best interests of the Company and the shareholders as a whole.

CONTROLLING AND SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST

The register of controlling and substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that as at 31st December, 2018, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	Name of the company/ associated corporation	Capacity	Number of issued ordinary shares held *(Note i)*	Percentage of the issued share capital of the Company *(Note ii)*
Yue Da Capital HK	The Company	Beneficial owner	600,000,000 (L)	51.34%
Yue Da HK	The Company	Beneficial owner	208,979,333 (L)	17.88%
Yue Da Capital Company Limited *(Note iii)*	The Company	Interest of a controlled corporation	600,000,000 (L)	51.34%
Jiangsu Yue Da *(Note iii)*	The Company	Interest of a controlled corporation	808,979,333 (L)	69.22%

Notes:

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

(ii) The percentage of issued share capital of the Company is calculated by reference to 1,168,626,516 shares in issue as at 31st December, 2018.

(iii) Jiangsu Yue Da holds 100% interests in Yue Da HK and 98% interests in Yue Da Capital Company Limited which holds 100% interest in Yue Da Capital HK and is accordingly deemed to be interested in the shares of the Company beneficially owned by Yue Da HK and Yue Da Capital HK under the SFO.

Other than as disclosed above, the Company has not been notified of any other persons who as at 31st December, 2018, had interests of 5% or more in any shares or underlying shares of the Company.

OTHER DIRECTORS' INTEREST

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

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers during the year accounted for approximately 79.1% of the Group's total revenue and the largest customer accounted for approximately 31.4% of the Group's total revenue. The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 69.1% of the Group's total purchases and the largest suppliers accounted for approximately 48.1% of the Group's total purchases.

The Directors, their associates and substantial shareholders of the Company did not have any interest in the suppliers or customers as disclosed above as at 31st December, 2018.

PERMITTED INDEMNITY PROVISION

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

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

EMOLUMENT POLICY

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

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2018.

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

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

AUDITOR

The financial statements of the Company for the year ended 31st December, 2018 were audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wang Lianchun
CHAIRMAN

Hong Kong
20th March, 2019

Deloitte. 德勤

TO THE SHAREHOLDERS OF YUE DA INTERNATIONAL HOLDINGS LIMITED
悅達國際控股有限公司
(FORMERLY KNOWN AS YUE DA MINING HOLDINGS LIMITED
悅達礦業控股有限公司)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Yue Da International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 157, which comprise the consolidated statement of financial position as at 31st December, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment and mining rights	
We identified the impairment assessment of property, plant and equipment and mining rights allocated to a cash-generating unit which is engaged in the mining and processing of zinc and lead in the People's Republic of China as a key audit matter due to the significant management judgment in estimating the recoverable amount of the cash-generating unit. In recent years, this cash-generating unit has recorded losses and impairment losses have been made on the related assets of this cash-generating unit. This indicates the risk of further impairment of the related assets with carrying amount of RMB251,349,000 as at 31st December, 2018. Management has concluded that there is no further impairment in respect of the related assets of this cash-generating unit as at 31st December, 2018 as the recoverable amount, which is determined using a value in use calculation based on discounted cash flow model, is higher than the carrying amount. The management of the Group relied on a valuation carried out by an independent professional valuer (the "Valuer"), which is dependent on certain key assumptions. Details of impairment assessment and key assumptions are disclosed in notes 4 and 17 to the consolidated financial statements.	Our procedures in relation to the impairment assessment of property, plant and equipment and mining rights included: • Obtaining an understanding of the process of impairment assessment of property, plant and equipment and mining rights by management; • Understanding the impairment assessment model used and the key assumptions applied and evaluating the scope of work and terms of the agreement with the Valuer; • Assessing the competence, capabilities and objectivity of the Valuer; • Evaluating the appropriateness of the model and comparing key assumptions used against external data; • Engaging our internal valuation expert to assess the appropriateness of the discount rate used; • Evaluating management's future cash flow forecasts, and the process by which they were drawn up, including verifying the relevant mining right and agreeing future capital and operating expenditure to the latest approved budgets and the latest approved mining plan; and • Assessing the accuracy of management's future cash flows forecasts by comparing historical forecast with actual performance.

Key audit matter	How our audit addressed the key audit matter
Impairment of factoring receivables	
We identified the impairment of factoring receivables as a key audit matter due to its significance to the consolidated financial position, and the use of judgement by the management in evaluating the expected credit losses ("ECL") on factoring receivables. As set out in note 21 to the consolidated financial statements, the carrying amount of factoring receivables is RMB630,413,000 as at 31st December, 2018. This carrying amount represented approximately 54% of the total assets. As set out in note 4 to the consolidated financial statements, factoring receivables are assessed for impairment by the management individually. In determining the impairment of factoring receivables, the Group uses a 12-month ECL for factoring receivables. The management assesses credit losses based on internal credit rating, and on a forward-looking basis with the use of appropriate models and assumptions as set out in notes 4 and 34 to the consolidated financial statements.	Our procedures in relation to the impairment of factoring receivables included: • Obtaining an understanding from the management of the procedures in place for credit risk approval and monitoring of factoring receivables and management's assessment of the ultimate realisation of factoring receivables; • Obtaining an understanding of management's methodology for determining the ECL impairment allowance on factoring receivables and assessing the appropriateness of the methodology used by management; • Evaluating management's assessment of the internal credit rating of the factoring receivables by examining the credit files, which contain the financial condition of the borrowers, past collection history and guarantees, if any, as applicable; • Assessing the reasonableness of key inputs and assumptions applied in determining ECL, including the Group's past experience of collecting payments, historical loss ratio, macroeconomic factors, industry practice, internal credit rating and forward-looking information; and • testing the mathematical accuracy of the impairment allowance calculation.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tsang Yiu Chung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20th March, 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2018

	NOTES	**2018** **RMB'000**	2017 RMB'000
Revenue	5		
Goods and services		**54,981**	78,444
Interest income		**32,448**	1,033
		87,429	79,477
Cost relating to inventories sold		**(27,113)**	(39,675)
Cost relating to services rendered		**(9,486)**	(2,264)
Other income		**1,537**	7,879
Other gains and (losses), net	6	**(35,808)**	58,840
Impairment losses on assets	7	**–**	(137,109)
Administrative expenses		**(45,186)**	(47,630)
Finance costs	9	**(15,588)**	(12,391)
Loss before tax		**(44,215)**	(92,873)
Income tax (expense) credit	10	**(3,220)**	33,940
Loss and total comprehensive expense for the year	11	**(47,435)**	(58,933)
Loss and total comprehensive expense for the year attributable to			
Owners of the Company		**(46,515)**	(25,736)
Non-controlling interests		**(920)**	(33,197)
		(47,435)	(58,933)
Loss per share	12		
– Basic		**RMB(3.98) cents**	RMB(2.20) cents
– Diluted		**RMB(3.98) cents**	RMB(2.20) cents

Consolidated Statement of Financial Position

At 31st December, 2018

	NOTES	2018 RMB'000	2017 RMB'000
Non-current Assets			
Property, plant and equipment	14	**44,472**	56,016
Prepaid lease payments	15	**5,566**	5,787
Mining rights	16	**208,209**	365,102
Goodwill	18	**–**	–
Long term deposits	19	**8,115**	16,600
Other receivables	21	**–**	18,807
Deferred tax assets	30	**647**	–
		267,009	462,312
Current Assets			
Prepaid lease payments	15	**221**	221
Inventories	20	**18,042**	14,925
Trade and other receivables	21	**709,565**	171,568
Amounts due from related companies	22	**6,100**	200
Tax receivable		**335**	–
Cash and cash equivalents	23	**162,563**	506,240
		896,826	693,154
Current Liabilities			
Trade and other payables	24	**71,747**	50,760
Contract liabilities	24	**13,927**	–
Amounts due to related companies	22	**188,269**	460,252
Amounts due to directors	25	**329**	320
Corporate bonds	27	**147,304**	–
Taxation payable		**6,330**	6,118
		427,906	517,450
Net Current Assets		**468,920**	175,704
Total Assets Less Current Liabilities		**735,929**	638,016

At 31st December, 2018

	NOTES	**2018 RMB'000**	2017 RMB'000
Capital and Reserves			
Share capital	26	**105,965**	105,965
Reserves		**230,872**	279,288
Equity attributable to owners of the Company		**336,837**	385,253
Non-controlling interests		**–**	28,870
Total equity		**336,837**	414,123
Non-current Liabilities			
Corporate bonds	27	**–**	138,003
Bank borrowing	28	**348,624**	–
Provisions	29	**1,911**	2,324
Deferred tax liabilities	30	**48,557**	83,566
		399,092	223,893
		735,929	638,016

The consolidated financial statements on pages 60 to 157 were approved and authorised for issue by the board of directors on 20th March, 2019 and are signed on its behalf by:

Hu Huaimin
DIRECTOR

Cai Baoxiang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2018

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Non-distributable reserves RMB'000 *(Note i)*	Special reserve RMB'000 *(Note ii)*	Capital contribution RMB'000 *(Note iii)*	Share options reserve RMB'000	Other reserve RMB'000 *(Note iv)*	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1st January, 2017	105,965	967,576	38,574	157,178	21,717	14,588	(40,938)	(853,671)	410,989	62,067	473,056
Loss and total comprehensive expenses for the year	–	–	–	–	–	–	–	(25,736)	(25,736)	(33,197)	(58,933)
Expiry of share options	–	–	–	–	–	(2,843)	–	2,843	–	–	–
Transfer	–	–	313	–	–	–	–	(313)	–	–	–
Transfer upon disposal of subsidiaries	–	–	(8,875)	–	–	–	–	8,875	–	–	–
At 31st December, 2017	105,965	967,576	30,012	157,178	21,717	11,745	(40,938)	(868,002)	385,253	28,870	414,123
Adjustments (see note 2)	–	–	–	–	–	–	–	(1,901)	(1,901)	–	(1,901)
At 1st January, 2018 (adjusted)	105,965	967,576	30,012	157,178	21,717	11,745	(40,938)	(869,903)	383,352	28,870	412,222
Loss and total comprehensive expenses for the year	–	–	–	–	–	–	–	(46,515)	(46,515)	(920)	(47,435)
Expiry/forfeit of share options	–	–	–	–	–	(10,976)	–	10,976	–	–	–
Transfer	–	–	1,204	–	–	–	–	(1,204)	–	–	–
Transfer upon disposal of a subsidiary	–	–	(9,000)	–	–	–	675	8,325	–	(27,950)	(27,950)
At 31st December, 2018	105,965	967,576	22,216	157,178	21,717	769	(40,263)	(898,321)	336,837	–	336,837

Notes:

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

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

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

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

Notes: – Continued

(iii) – Continued

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31st December, 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(44,215)**	(92,873)
Adjustments for:		
Amortisation of mining rights	**3,328**	3,880
Finance costs	**15,588**	12,391
Depreciation of property, plant and equipment	**5,601**	6,343
Release of prepaid lease payments	**221**	369
Impairment losses on assets	**–**	137,109
Gain on disposal of property, plant and equipment	**(46)**	(2,506)
Gain on the disposals of subsidiaries	**(3,701)**	(51,541)
Impairment loss allowance for financial asset, net	**(258)**	1,350
Interest income from bank deposits	**(721)**	(299)
Imputed interest income on impaired other receivables	**–**	(4,739)
Net foreign exchange losses (gains)	**40,267**	(4,561)
Operating cash flows before movements in working capital	**16,064**	4,923
Increase in long term deposits	**–**	(5,115)
(Increase) decrease in inventories	**(4,709)**	3,506
Increase in factoring receivables	**(573,389)**	(57,024)
(Increase) decrease in trade and other receivables	**(5,396)**	5,136
Increase in trade and other payables	**35,879**	3,588
Increase in contract liabilities	**1,416**	–
Increase in amounts due to directors	**9**	3
CASH USED IN OPERATIONS	**(530,126)**	(44,983)
Income tax paid	**(3,615)**	(1,400)
NET CASH USED IN OPERATING ACTIVITIES	**(533,741)**	(46,383)

For the year ended 31st December, 2018

	NOTES	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(12,233)**	(6,950)
Addition of mining rights		**–**	(9,630)
Disposals of subsidiaries	31	**(1,960)**	42,440
Receipt of deferred consideration	31	**50,660**	–
Repayment from related companies		**17**	2,516
Advance to related companies		**(6,100)**	(685)
Repayment of loan receivable	21(ii)	**5,767**	1,982
Interest received		**721**	299
Proceeds from disposal of property, plant and equipment		**165**	3,629
Deposits refunded for investments	21(i)	**1,813**	4,991
NET CASH FROM INVESTING ACTIVITIES		**38,850**	38,592
FINANCING ACTIVITIES			
New bank borrowing raised		**333,022**	–
Repayment to related companies		**(630,088)**	(43,849)
Advance from related companies		**461,321**	459,200
Interest paid		**(13,041)**	(9,796)
NET CASH FROM FINANCING ACTIVITIES		**151,214**	405,555
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(343,677)**	397,764
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**506,240**	108,476
CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash		**162,563**	506,240

1. GENERAL

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

Pursuant to a special resolution passed on 20th November, 2018, the Company changed the name from Yue Da Mining Holdings Limited（悅達礦業控股有限公司）to Yue Da International Holdings Limited（悅達國際控股有限公司）.

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

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

New and Amendments to HKFRSs that are mandatorily effective for the current year – Continued

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

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1st January, 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1st January, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sale of goods of Mining operations (as defined in Note 5)
- Management fee received from accounts receivable management and collection
- Factoring consultancy services

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

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

2.1 HKFRS 15 "Revenue from Contracts with Customers" – Continued

Summary of effects arising from initial application of HKFRS 15

Based on the assessment by the directors of the Company, there is no material impact of transition to HKFRS 15 on accumulated losses at 1st January, 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1st January, 2018. Line items that were not affected by the changes have not been included.

	NOTE	**Carrying amounts previously reported at 31st December, 2017** RMB'000	**Adjustments** RMB'000	**Carrying amounts under HKFRS 15 at 1st January, 2018*** RMB'000
Current liabilities				
Trade and other payables	a	50,760	(12,511)	38,249
Contract liabilities	a	–	12,511	12,511

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Note:

(a) As at 1st January, 2018, included in the trade and other payables, RMB12,511,000 related to advance payments from contracts with customers. These balances were reclassified to contract liabilities upon the initial application of HKFRS 15.

The following table summaries the impacts of apply HKFRS 15 on the consolidated statement of financial position at 31st December, 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

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

2.1 HKFRS 15 "Revenue from Contracts with Customers" – Continued

Summary of effects arising from initial application of HKFRS 15 – Continued

Impact on the consolidated statement of financial position

	NOTE	**As reported** RMB'000	**Adjustments** RMB'000	**Amounts without application of HKFRS 15** RMB'000
Current liabilities				
Trade and other payables	a	71,747	13,927	85,674
Contract liabilities	a	13,927	(13,927)	–

Impact on the consolidated statement of cash flows

	NOTE	**As reported** RMB000	**Adjustments** RMB000	**Amounts without application of HKFRS 15** RMB000
Increase in trade and other payables	a	35,879	1,416	37,295
Increase in contract liabilities	a	1,416	(1,416)	–

Note:

(a) As at 31st December, 2018, advance payments from contracts with customers of RMB13,927,000 would have been stated as trade and other payables under HKAS 11. This amount was recorded as contract liabilities under HKFRS 15.

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

2.2 HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1st January, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st January, 2018. The difference between carrying amounts as at 31st December, 2017 and the carrying amounts as at 1st January, 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

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

2.2 HKFRS 9 "Financial Instruments" and the related amendments – Continued

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1st January, 2018.

	Other receivables (non-current) RMB'000	**Trade and other receivables** RMB'000	**Accumulated losses** RMB'000
Closing balance at 31st December, 2017 – HKAS 39	18,807	171,568	868,002
Effect arising from initial application of HKFRS 9:			
Remeasurement			
Impairment under ECL model *(note a)*	(641)	(1,260)	1,901
At 1st January, 2018	18,166	170,308	869,903

Note:

(a) Impairment under ECL model

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables which include deposits paid for investments and loan receivable as detailed in Note 21 are measured on a lifetime ECL.

As at 1st January, 2018, the additional credit loss allowance of RMB1,901,000 has been recognised against accumulated losses. The additional loss allowance is charged against the respective assets.

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

2.2 HKFRS 9 "Financial Instruments" and the related amendments – Continued

All loss allowances for financial assets as at 31st December, 2017 reconcile to the opening loss allowance as at 1st January, 2018 is as follows:

	Other receivables (non-current) and trade and other receivables (current) RMB'000
At 31st December, 2017 – HKAS 39	3,972
Amounts remeasured through opening accumulated losses	1,901
At 1st January, 2018	5,873

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31st December, 2017 RMB'000 (Audited)	**HKFRS 9** RMB'000	**1st January, 2018** RMB'000 (Restated)
Non-current assets			
Other receivables	18,807	(641)	18,166
Current assets			
Trade and other receivables	171,568	(1,260)	170,308
Current liabilities			
Trade and other payables	50,760	(12,511)	38,249
Contract liabilities	–	12,511	12,511
Capital and reserves			
Reserves	(279,288)	1,901	(277,387)

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31st December, 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1st January, 2018 as disclosed above.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Materials[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1st January, 2019.

2 Effective for annual periods beginning on or after 1st January, 2021.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for business combinations and asset acquisitions for the acquisition date is on or after beginning of the first annual period beginning on or after 1st January, 2020.

5 Effective for annual periods beginning on or after 1st January, 2020.

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

HKFRS 16 "Leases"

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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

HKFRS 16 "Leases" – Continued

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31st December, 2018, the Group has non-cancellable operating lease commitments of RMB6,095,000 as disclosed in Note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

HKFRS 16 "Leases" – Continued

In addition, the Group currently considers refundable rental deposits paid of RMB37,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advanced lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of consolidation

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

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of consolidation – Continued

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Business combinations – Continued

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

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

Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purpose, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment – Continued

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

Mining rights

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

Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Inventories

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1st January, 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) – Continued

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) – Continued

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, factoring receivables, other receivables, amounts due from related parties and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) – Continued

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) – Continued

(i) Significant increase in credit risk – Continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) – Continued

(ii) Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) – Continued

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) – Continued

(v) Measurement and recognition of ECL – Continued

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments/receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1st January, 2018)

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including long term deposits, trade and other receivables, amounts due from related companies and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1st January, 2018) – Continued

Impairment of financial assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Derecognition of financial assets

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial liabilities and equity instruments – Continued

Financial liabilities at amortised cost

The Group's financial liabilities (including trade and other payables, amounts due to related companies/directors, corporate bonds and bank borrowing) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Provisions

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) – Continued

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue recognition (prior to 1st January, 2018)

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

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

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

Factoring services income mainly consists of interest income over the period of contract. Interest income from a financial asset is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other services income is recognised when services are rendered.

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

Retirement benefit costs

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

Short-term employee benefits

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leasing

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

The Group as lessee

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

Leasehold land and building

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

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

Equity-settled share-based payment transactions

Share options granted to employees

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Equity-settled share-based payment transactions – Continued

Share options granted to employees – Continued

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

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

Share options granted to suppliers/consultants

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

Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Taxation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Taxation – Continued

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

Foreign currencies

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Estimated impairment of property, plant and equipment and mining rights

Determining whether an impairment loss is required requires an estimate of the recoverable amount of relevant assets or the CGU to which the asset belongs. In determining the amount of an impairment loss of property, plant and equipment and mining rights of subsidiaries that are engaged in mining and processing of zinc and lead in the PRC where the relevant subsidiary is considered as a CGU for the year ended 31st December, 2018, the recoverable amount is measured by reference to the value in use. In determining the value in use, the management of the Group relied on a valuation carried out by an independent professional valuer in which the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value are estimated. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2018, the carrying amounts of property, plant and equipment and mining rights were RMB44,472,000 (2017: RMB56,016,000) and RMB208,209,000 (2017: RMB365,102,000) respectively. Details of the recoverable amount calculation for the CGU are set out in note 17. During the year ended 31st December, 2018, impairment losses of Nil (2017: RMB17,398,000) and Nil (2017: RMB117,592,000) were recognised in relation to property, plant and equipment and mining rights respectively (see Note 7).

Useful lives of mining rights

The Group's management determines the estimated useful lives for its mining rights based on the proven and probable reserves. However, the mining rights were granted for a term of one year (2017: two to three years). The directors of the Company are of the opinion that the Group will be able to continuously renew the mining rights and the business licenses of the respective mining subsidiaries without significant costs. Accordingly, the Group has used the proven and probable reserves as a basis of estimation for the useful lives of its mining rights.

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

As at 31st December, 2018, the carrying amount of mining rights was RMB208,209,000 (2017: RMB365,102,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Impairment of factoring receivables

The Group applies the HKFRS 9 to measure ECL which uses a 12m ECL for factoring receivables. The management maintains the credit file for respective borrower which contain the financial condition of the borrowers, past collection history and guarantee, if any, for the assessment of the internal credit rating of the factoring receivables. To measure the ECL, factoring receivables have been assessed individually.

The credit losses expectations are based on the Group's past experience of collecting payments, historical loss ratio, macroeconomic factors, industry practice, internal credit rating and forward-looking information. A considerable amount of judgement is required in estimating the ultimate realisation of financial assets, by considering the creditworthiness of each borrower, the Group's past experience of collecting payments, historical loss ratio, macroeconomic factors, industry practice, internal credit rating, and forward-looking information.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's financial assets are disclosed in notes 21 and 34 respectively.

As at 31st December, 2018, the carrying amounts of factoring receivables was RMB630,413,000 (2017: RMB57,024,000) with allowance for impairment of RMB2,587,000 (2017: nil).

5. REVENUE AND SEGMENT INFORMATION

Revenue

A. For the year ended 31st December, 2018

(i) Disaggregation of revenue from contracts with customers

	Mining Operations RMB'000	Factoring Related Business RMB'000
Types of goods or service		
Sale of zinc, lead and copper ore concentrates	39,841	–
Sale of gold and stone for construction from gold mine	2,519	–
Management fee from accounts receivable management and collection services	–	10,522
Factoring consultancy services	–	2,099
Total	42,360	12,621
Timing of revenue recognition		
A point of time	42,360	–
Overtime	–	12,621
Total	42,360	12,621

All the revenue from contracts with customers are derived from the PRC.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Revenue – Continued

A. For the year ended 31st December, 2018 – Continued

(i) Disaggregation of revenue from contracts with customers – Continued

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Mining Operations RMB'000	**Factoring Related Business** RMB'000
Revenue disclosed in segment information	42,360	45,069
Less: Interest income	–	(32,448)
Revenue from contracts with customers	42,360	12,621

(ii) Performance obligations for contracts with customers

The Group recognises revenue from the following major sources:

(a) Sale of zinc, lead and copper ore concentrates and gold and stone for construction from gold mine

Revenue is recognised at a point in time when the relevant products are delivered and the Group has present right to payment and the collection of the consideration is probable.

(b) Management fee from accounts receivable management and collection services, and factoring consultancy services

Such services are transferred over time and revenue is recognised when the customers simultaneously receive and consume the benefits from the Group's performance of the relevant services. A contract asset is recognised when the Group has a right to consideration from the customer in exchange for services transferred to the customer. When payment for services is received from the customers in advance, a contract liability as included in "advance payments from customers" is recognised and released on a straight line basis over the service period.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Revenue – Continued

A. For the year ended 31st December, 2018 – Continued

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts in respect of sale of zinc, lead and copper ore concentrates and accounts receivable management and collection services at 31 December 2018 are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the year ended 31st December, 2017

An analysis of the Group's revenue for the year is as follows:

	2017 RMB'000
Sale of zinc, lead and copper ore concentrates	64,838
Sale of iron ore concentrates	361
Sale of gold and stone for construction from gold mine	7,699
Interest income from factoring services	1,033
Consultancy services	4,854
Other services	692
	79,477

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information

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

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

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

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information – Continued

Segment result

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

For the year ended 31st December, 2018

	Mining Operations RMB'000	Factoring Related Business RMB'000	Consolidated RMB'000
SEGMENT REVENUE			
External sales	42,360	45,069	87,429
SEGMENT RESULTS			
Segment (loss) profit	(5,521)	32,996	27,475
Other income			1,537
Other gains and losses			
– Gain on disposal of property, plant and equipment			46
– Gain arising from subsidiary disposed			3,701
– Reversal of impairment loss allowance for financial assets, net *(Note 21)*			2,845
– Net foreign exchange loss			(39,813)
Central administration costs			(24,418)
Finance costs			(15,588)
Loss before tax			(44,215)

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information – Continued

Segment result – Continued

For the year ended 31st December, 2017

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

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

Segment assets and liabilities

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

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information – Continued

Other segment information

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

For the year ended 31st December, 2018

	Mining Operations RMB'000	Factoring Related Business RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation and amortisation	9,003	132	15	9,150
Reversal of impairment loss allowance for financial assets, net	–	2,587	(2,845)	(258)

For the year ended 31st December, 2017

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

Geographical information

All of external revenues of the Group in both years are attributable to customers established in the PRC, the place of domicile of the Group's major operating entities. More than 99% (2017: 99%) of the Group's non-current assets excluding other financial assets are located in the PRC.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information – Continued

Information about major customers

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

	2018 RMB'000	2017 RMB'000
Customer A *(Note a)*	27,477	40,826
Customer B *(Note a)*	12,978	–
Customer C *(Note a)*	–	12,850
Customer D *(Note b)*	10,216	1,725
Customer E *(Note b)*	9,384	–
Customer F *(Note b)*	9,087	–

Notes:

(a) The above customers are related to mining operations.

(b) The above customers are related to Factoring Related Business.

6. OTHER GAINS AND (LOSSES), NET

	2018 RMB'000	2017 RMB'000
Gain on disposal of property, plant and equipment	46	2,506
Gain on the disposals of subsidiaries *(Note 31)*	3,701	51,541
Reversal of impairment loss allowance (impairment loss allowance) for financial assets, net *(Note 21)*	258	(1,350)
Net foreign exchange (loss) gain	(39,813)	6,143
	(35,808)	58,840

7. IMPAIRMENT LOSSES ON ASSETS

	2018 RMB'000	2017 RMB'000
Impairment losses on:		
– property, plant and equipment *(Note 14)*	–	17,398
– mining rights *(Note 16)*	–	117,592
– goodwill *(Note 18)*	–	2,119
	–	137,109

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

The emoluments paid or payable to each of the ten (2017: eight) directors and the chief executive were as follows:

2018

	Executive directors					Non-executive directors		Independent non-executive directors			
	Mr. Wen Songmao RMB'000 *(Note 2)*	Mr. Mao Naihe RMB'000 *(Note 1)*	Mr. Hu Huaimin RMB'000 *(Note 3)*	Mr. Cai Baoxiang RMB'000	Mr. Bai Zhaoxiang RMB'000	Mr. Wang Lian Chun RMB'000	Mr. Qi Guangya RMB'000	Mr. Cui Shu Ming RMB'000	Dr. Liu Yong Ping RMB'000	Mr. Cheung Ting Kee RMB'000	Total RMB'000
Fees	-	-	-	-	-	-	-	210	210	210	630
Other emoluments											
Salaries and other benefits	-	624	631	196	415	-	-	-	-	-	1,866
Accommodation provided by the Group	-	187	73	-	56	-	-	-	-	-	316
Contributions to retirement benefits schemes	-	70	74	26	39	-	-	-	-	-	209
Total emoluments	-	881	778	222	510	-	-	210	210	210	3,021

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

2017

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

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

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

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

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

Notes:

(1) The director was appointed on 21st May, 2018.

(2) The director was appointed on 10th October, 2018.

(3) The director has resigned, has been appointed as the Chief Financial Officer and Vice Chief Executive of the Company.

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

Of the five individuals with the highest emoluments in the Group, three (2017: three) were directors and chief executive of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining two (2017: two) individuals are follows:

	2018 RMB'000	2017 RMB'000
Salaries and other benefits	1,570	1,548
Contributions to retirement benefits schemes	112	91
	1,682	1,639

Their emoluments were within the following bands:

	2018 Number of employees	2017 Number of employees
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	1	1

During both years, no emoluments were paid by the Group to the five highest paid individuals (including directors, chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the chief executive nor any of the directors of the Company waived any emoluments in the year ended 31st December, 2018 (2017: Nil).

9. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on bank borrowing wholly repayable within five years	3,502	–
Interest on corporate bonds	11,076	11,389
Imputed interest on provisions *(Note 29)*	–	17
Interest on loan from related companies	1,010	985
	15,588	12,391

10. INCOME TAX EXPENSE (CREDIT)

	2018 RMB'000	2017 RMB'000
Current tax		
– PRC Enterprise Income tax	**4,086**	2,110
– Underprovision in prior years	**212**	–
– Withholding tax paid in respect of distribution of earning of a PRC subsidiary	**–**	1,400
	4,298	3,510
Deferred tax *(Note 30)*	**(1,078)**	(37,450)
	3,220	(33,940)

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

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

A PRC mining subsidiary was entitled to the preferential tax rate pursuant to the relevant regulations applicable to enterprises situated in the western regions of the PRC during the year ended 31st December 2017. The applicable tax rate of the PRC subsidiaries is 25% for the year ended 31st December, 2018 (2017: ranged from 15% to 25%).

PRC Enterprise Income Tax for a group entity is calculated at 25% of the estimated assessable profit for both years. No provision for the PRC Enterprise Income Tax has been made in the consolidated financial statements as the remaining group entities subjected to the PRC Enterprise Income Tax have no assessable profit for both years.

10. INCOME TAX EXPENSE (CREDIT) – CONTINUED

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

	2018 RMB'000	2017 RMB'000
Loss before tax	**(44,215)**	(92,873)
Tax at the domestic income tax rate of 25% *(Note)*	**(11,054)**	(23,218)
Tax effect of expenses not deductible for tax purpose	**15,037**	10,107
Tax effect of income not taxable for tax purpose	**(1,642)**	(15,607)
Tax effect of tax losses not recognised	**507**	1,634
Utilisation of tax losses previously not recognised	**–**	(4,211)
Effect of different tax rates of subsidiaries	**–**	47
Underprovision in respect of prior year	**212**	–
Provision (reversal) of withholding tax for income derived from the PRC subsidiaries	**160**	(2,692)
Income tax expense (credit)	**3,220**	(33,940)

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

11. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

	2018 RMB'000	2017 RMB'000
Loss and total comprehensive expense for the year has been arrived at after charging (crediting) the following items:		
Amortisation of mining rights (including in cost relating to inventories sold)	**3,328**	3,880
Depreciation of property, plant and equipment	**5,601**	6,343
Release of prepaid lease payments	**221**	369
Auditors' remuneration	**2,789**	2,544
Employee benefit expenses	**35,528**	31,057
Interest income from bank deposits	**(721)**	(299)
Imputed interest income on impaired other receivables	**–**	(4,739)

12. LOSS PER SHARE

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

	2018 RMB'000	2017 RMB'000
Loss		
Loss for the year attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	**(46,515)**	(25,736)
Number of shares	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,168,626,516**	1,168,626,516

The computation of the diluted loss per share for the year ended 31st December, 2018 and 2017 does not assume the exercise of the share options because the exercise price of those options was higher than the average market price for shares.

13. DIVIDEND

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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Mining shafts	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At 1st January, 2017	79,658	21,743	110,740	104,886	9,351	8,710	68,097	403,185
Additions	1,744	–	379	501	76	663	3,587	6,950
Transfer	–	–	7,637	–	–	–	(7,637)	–
Disposals	–	–	(352)	(9,029)	(12)	(783)	–	(10,176)
Eliminated on disposals of subsidiaries	(44,961)	(6,541)	(91,008)	(35,658)	(2,442)	(5,488)	(46,277)	(232,375)
At 31st December, 2017	36,441	15,202	27,396	60,700	6,973	3,102	17,770	167,584
Additions	459	645	–	506	250	60	10,373	12,293
Transfer	–	–	16,884	–	–	–	(16,884)	–
Disposals	–	–	–	–	–	(754)	–	(754)
Eliminated on disposals of subsidiaries	(19,569)	–	–	(37,516)	(2,526)	(4)	(2,516)	(62,131)
At 31st December, 2018	17,331	15,847	44,280	23,690	4,697	2,404	8,743	116,992
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2017	56,366	19,700	108,752	79,076	8,141	7,169	48,478	327,682
Charge for the year	1,617	88	813	2,840	421	564	–	6,343
Impairment loss recognised in profit or loss	6,633	–	–	10,364	401	–	–	17,398
Eliminated on disposals	–	–	(352)	(7,907)	(11)	(783)	–	(9,053)
Eliminated on disposals of subsidiaries	(44,734)	(6,541)	(91,008)	(35,636)	(2,437)	(4,563)	(45,883)	(230,802)
At 31st December, 2017	19,882	13,247	18,205	48,737	6,515	2,387	2,595	111,568
Charge for the year	1,432	188	2,057	1,812	100	12	–	5,601
Eliminated on disposals	–	–	–	–	–	(635)	–	(635)
Eliminated on disposals of subsidiaries	(12,044)	–	–	(27,203)	(2,247)	(4)	(2,516)	(44,014)
At 31st December, 2018	9,270	13,435	20,262	23,346	4,368	1,760	79	72,520
CARRYING VALUES								
At 31st December, 2018	8,061	2,412	24,018	344	329	644	8,664	44,472
At 31st December, 2017	16,559	1,955	9,191	11,963	458	715	15,175	56,016

14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

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

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

Certain buildings of the Group are erected in the PRC with respect to which the Group had not been granted formal title of ownership. As at 31st December, 2018, the carrying value of such buildings amounted to RMB4,041,000 (2017: RMB12,344,000). In the opinion of the directors of the Company, the absence of formal title does not impair the value of the relevant buildings.

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

15. PREPAID LEASE PAYMENTS

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

	2018 RMB'000	2017 RMB'000
Analysed for reporting purposes as:		
Current assets	**221**	221
Non-current assets	**5,566**	5,787
	5,787	6,008

As at 31st December, 2018, the carrying value of land use rights in respect of which the Group was not yet granted formal title of ownership amounted to RMB5,787,000 (2017: RMB6,008,000). In the opinion of directors of the Company, the absence of formal title to these land use rights does not impair the value of the relevant properties to the Group.

16. MINING RIGHTS

	RMB'000
COST	
At 1st January 2017	1,535,544
Addition	9,630
Eliminated on disposal of a subsidiary	(567,580)
At 31st December, 2017	977,594
Eliminated on disposal of a subsidiary	(403,150)
At 31st December, 2018	574,444
AMORTISATION AND IMPAIRMENT	
At 1st January, 2017	1,050,410
Charge for the year	3,880
Impairment loss recognised in profit or loss	117,592
Eliminated on disposal of a subsidiary	(559,390)
At 31st December, 2017	612,492
Charge for the year	3,328
Eliminated on disposal of a subsidiary	(249,585)
At 31st December, 2018	366,235
CARRYING VALUES	
At 31st December, 2018	208,209
At 31st December, 2017	365,102

The mining rights represent the rights to conduct mining activities in various locations in the PRC, and have legal lives of one year (2017: two to three years). As at 31st December, 2018, the Group's mining right is expiring in October 2019. In the opinion of the directors of the Company, the Group will be able to renew the mining right with the relevant government authorities continuously without significant costs.

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

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

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

During the year ended 31st December, 2018, the management conducted an impairment review on the related assets of the CGU which is engaged in mining and processing of zinc and lead in the PRC, due to the recurring loss and impairment losses had been recognised on the related mining rights and production assets in prior years. As at 31st December, 2018, the carrying amount of the related assets of this CGU was RMB251,349,000. Based on the assessment by the management, no impairment loss or reversal of impairment loss is required to be made during the year ended 31st December, 2018.

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

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

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

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

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

2017

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

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

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

18. GOODWILL

	RMB'000
COST	
At 1st January, 2017, 31st December, 2017	12,170
Eliminated on disposal of a subsidiary	(12,170)
At 31st December, 2018	–
IMPAIRMENT	
At 1st January, 2017	10,051
Impairment loss recognised in profit or loss	2,119
At 31st December, 2017	12,170
Eliminated on disposal of a subsidiary	(12,170)
At 31st December, 2018	–
CARRYING VALUES	
At 31st December, 2017	–
At 31st December, 2018	–

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

19. LONG TERM DEPOSITS

Long term deposits represent environmental rehabilitation deposits paid to the local government in the PRC, carrying interest at prevailing market rate of 0.35% (2017: 0.35%) per annum. The amounts will be refunded at the cessation of mining activities or closure of mines if and only if the environmental rehabilitation work of the relevant mines meets the government's requirements. They are not expected to be refunded within the next twelve months.

20. INVENTORIES

	2018 **RMB'000**	2017 RMB'000
Raw materials and consumables	**4,900**	4,481
Finished goods	**13,142**	10,444
	18,042	14,925

21. TRADE AND OTHER RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Current		
Trade receivables	**–**	4,618
Factoring receivables	**630,413**	57,024
Advance payments to suppliers	**2,520**	500
Deferred consideration receivable *(Note 31(d))*	**–**	50,660
Deposits paid for investments *(Note i)*	**38,202**	39,725
Loan receivable *(Note ii)*	**32,637**	15,545
Other receivables and prepayments	**5,793**	3,496
	709,565	171,568
Non-current		
Loan receivable *(Note ii)*	**–**	18,807
	709,565	190,375

21. TRADE AND OTHER RECEIVABLES – CONTINUED

Notes:

(i) As at 31st December, 2018, aggregate deposits of US$5,963,000 (approximately RMB40,924,000) (2017: US$6,245,000 (approximately RMB40,804,000)) have been paid to the Vendor (as defined below) (the "Deposits").

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

On 20th March, 2017, YDM and the Vendor have entered into a settlement agreement (the "Deposits Settlement Agreement") for the repayment of the Deposits. The details of the Deposits Settlement Agreement are set out in the Company's announcement dated 20th March, 2017.

During the year ended 31st December, 2017, partial refund of US$755,000 (approximately RMB4,991,000) was received from the Vendor. During the year ended 31st December, 2017, the Vendor failed to settle the balances according to the agreed schedule pursuant to the Deposits Settlement Agreement. The Group was actively negotiating with the Vendor with an aim to reach a new executive settlement agreement. In the opinion of the directors of the Company, having considered the fair value of the collateral assets pledged by the Vendor, as at 31st December, 2017, no further impairment loss was required. As the Deposits are carried at amortised cost, an imputed interest of RMB2,292,000 was recognised as other income in profit or loss during the year ended 31st December, 2017. As at 31st December, 2017, the aggregate carrying amount of the Deposits was RMB39,725,000 with net accumulated impairment loss of RMB1,079,000.

With the initial application of HKFRS 9 at 1st January, 2018, the Group recognised additional impairment allowance of US$112,000 (approximately RMB731,000) to the opening accumulated losses as at 1st January, 2018.

During the year ended 31st December, 2018, a refund of US$282,000 (approximately RMB1,813,000) was received from the Vendor. The Vendor was not reachable since the second half of 2018.

The Group have fulfilled all their contractual obligations under the Acquisition Agreement. Of the total amount of the Deposit, the sum of US$5,963,000 is still owed by the Vendor to YDM. The Deposits has remained outstanding despite the Group's repeated demands, which include the payment of the Deposit under, but not limited to, the Deposits Settlement Agreement, the counter parties to the Deposits Settlement Agreement have failed to fulfill the obligations under the Deposits Settlement Agreement.

21. TRADE AND OTHER RECEIVABLES – CONTINUED

Notes: – Continued

(i) – Continued

In order to safeguard the legitimate rights and interests of the Group, YDM issued a writ of summons (the "Writ") in the High Court of The Hong Kong Special Administrative Region ("High Court") against the Vendor on 31st October, 2018. Pursuant to the Writ, YDM claims against the Vendor a sum of US$5,963,000 owing by the Vendor to YDM. The final judgement made on 7th December, 2018 in favour of YDM.

Since the Vendor is not reachable, the Group is seeking the enforcement of the judgement by execution of the share mortgage in respect of the entire issued share capital in the Target Companies and the Vietnam Company (the "Share Mortgage"). However, in the opinion of the directors of the Company, without the presence of the Vendor, the execution of the Share Mortgage may take extra time and effort, and the value of the Vietnam Company cannot be ascertained. In order to shorten the payback period of the Deposits, the Group is seeking the opportunity to dispose of the Deposits with consideration after arm's length negotiation. During the year ended 31st December, 2018, the Group had negotiated with Yue Da Group (H.K.) Co., Limited ("Yue Da HK"), fellow subsidiary of the Company for the possibility of the acquisition of the Deposits. Subsequent to 31st December 2018, sale and purchase agreement is entered between the Group and Yue Da HK for the disposal of the entire equity interest of YDM in which the principal asset is the Deposits at a consideration of US$5,600,000. Details of the transaction are set out in Note 41.

As at 31st December, 2018, the Group reassessed the ECL by reference to the exposure at default for the Deposits and recognised additional impairment loss allowance of RMB913,000 in profit or loss during the year ended 31st December, 2018. As at 31st December, 2018, the aggregate carrying amount of the Deposits was RMB38,202,000 with net accumulated impairment loss of RMB2,723,000.

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

As at 31st December, 2018, the principal amount of the outstanding loan owed by Mineral Land was US$4,800,000 (approximately RMB32,943,000) (2017: US$5,700,000 (approximately RMB37,245,000)).

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

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

21. TRADE AND OTHER RECEIVABLES – CONTINUED

Notes: – Continued

(ii) – Continued

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

Upon the execution of Mineral Land Loan Settlement Agreement, repayment of US$300,000 (approximately RMB1,982,000) was received from Mineral Land. Based on the assessment by the management and taking into account the change of the repayment period pursuant to the Mineral Land Loan Settlement Agreement, an impairment loss of RMB1,350,000 (note 6) was recognised for the year ended 31st December, 2017. As the outstanding loan owed by Mineral Land is carried at amortised cost, an imputed interest of RMB2,447,000 is recognised as other income in profit or loss during the year ended 31st December, 2017. As at 31st December, 2017, the aggregate carrying amount of the outstanding loan owed by Mineral Land was RMB34,352,000 with net accumulated impairment loss of RMB2,893,000.

With the initial application of HKFRS 9 at 1st January, 2018, the Group recognised additional impairment allowance of US$179,000 (approximately RMB1,170,000) to the accumulated losses as at 1st January, 2018.

During the year ended 31st December, 2018, a settlement of US$900,000 (approximately RMB5,767,000) was received from Mineral Land.

On 11th December, 2018, YDM, Mineral Land, Guarantor and an assignee ("Assignee") entered into a loan assignment ("Loan Assignment"), pursuant to which YDM has conditionally agreed to sell and Assignee has conditionally agreed to purchase the outstanding loan owned by Mineral Land (at principal amount of US$4.8 million) at a consideration of US$4.8 million. Pursuant to the Loan Assignment, the Group received the entire consideration of US$4.8 million (approximately RMB32,943,000). The completion of the Loan Assignment is subject to the satisfaction of a number of conditions. To the best of the directors of the Company' knowledge, information and belief, having made all reasonable enquiry, the Group does not expect any obstacles for the completion of the Loan Assignment. Subsequent to 31st December, 2018, the completion of the Loan Assignment is taken place.

As at 31st December, 2018, the Group reassessed the ECL by reference to the exposure at default for the loan receivable from Mineral Land and reversed impairment loss allowance of RMB3,758,000 in profit or loss during the year ended 31st December, 2018. As at 31st December, 2018, the aggregate carrying amount of the outstanding loan owed by Mineral Land was RMB32,637,000 with net accumulated impairment loss of RMB305,000.

21. TRADE AND OTHER RECEIVABLES – CONTINUED

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

	2018 RMB'000	2017 RMB'000
0 – 60 days	–	3,485
Over 180 days	–	1,133
	–	4,618

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

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

As at 31st December, 2017, included in the Group's trade receivables were debtors, with a carrying amount of RMB1,133,000 which were past due at the reporting date for which the Group had not provided as there had not been a significant change in credit quality and the amount were still considered recoverable. The Group did not hold any collateral over these balances.

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

	2017 RMB'000
Past due by:	
Over 90 days	1,133

The management reviews and assesses for impairment of the factoring receivables on an individual basis and continues to monitor any significant changes.

At as 31st December, 2018, the factoring receivables of RMB630,413,000 (2017: RMB57,024,000) were not past due.

21. TRADE AND OTHER RECEIVABLES – CONTINUED

Impairment allowance of RMB2,587,000 was made for the outstanding balance of the factoring assets at 31st December, 2018 (2017: Nil).

The information about the impairment assessment are disclosed in note 34.

22. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	2018	2017
	RMB'000	RMB'000
Jiangsu Yue Gang International Trade Co., Limited ("Jiangsu Yue Gang") *(Note 1)*	**–**	200
Yue Da Capital Co., Limited ("Yue Da Capital") *(Note 2)*	**6,100**	–
	6,100	200

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

	Due to	
	2018	2017
	RMB'000	RMB'000
Jiangsu Yue Da	**–**	10,050
Yue Da HK	**146,767**	22,091
Jiangsu Yue Da Group Finance Co., Ltd ("Jiangsu Yue Da Group Finance") *(Note 1)*	**18,000**	20,000
Yue Da Enterprise	**8,034**	8,111
Yueda Commercial Factoring Co., Ltd ("Yueda Commercial Factoring") *(Note 1)*	**–**	400,000
Absolute Apex Limited ("Absolute Apex") *(Note 3)*	**9,457**	–
Tong Ling Guan Hua Mining Co., Ltd. ("Tong Ling Guan Hua") *(Note 3)*	**5,951**	–
Yaoan Jin San Jiang Co., Ltd ("Yaoan Jin San Jiang") *(Note 1)*	**60**	–
	188,269	460,252

22. AMOUNTS DUE FROM/TO RELATED COMPANIES – CONTINUED

The amounts due to related companies are non-trade nature and unsecured. The amount due to Jiangsu Yue Da was interest-bearing at 5.46% per annum and repayable on demand at 31st December, 2017. The amount due to Jiangsu Yue Da Group Finance is interest-bearing at 6% per annum (2017: 6% per annum) and repayable within one year. The amount due to Yueda Commercial Factoring was interest-free and fully repaid during the year ended 31st December, 2018. The remaining balance of amounts due to related companies are interest-free and repayable on demand.

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

	2018 **RMB'000**	2017 RMB'000
Hong Kong Dollars ("HK$")	**155,884**	2,510

Notes:

(1) Jiangsu Yue Gang, Jiangsu Yue Da Group Finance, Yueda Commercial Factoring and Yaoan Jin San Jiang are fellow subsidiaries of the Company.

(2) Yue Da Capital is an intermediate holding company of the Company.

(3) Absolute Apex and Tong Ling Guan Hua become fellow subsidiaries of the Company upon the completion of the disposal of 100% equity in Absolute Apex as set out in Note 31(a).

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalent include in hand, deposits held at call with banks and with a finance company with an original maturity of three months or less. The bank balances carry interest at market rates which range from 0.01% to 0.35% (2017: 0.01% to 0.35%) per annum.

As at 31st December, 2018, the Group's cash and cash equivalents of RMB68,049,000 are deposited with Jiangsu Yue Da Group Finance, a finance company of enterprise group regulated by China Banking Regulatory Commission and a fellow subsidiary of the Group (2017: RMB471,601,000).

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

	2018 **RMB'000**	2017 RMB'000
United States Dollars ("US$")	**33,302**	4,853
HK$	**1,887**	1,032

24. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

Trade and other payables

	2018 RMB'000	2017 RMB'000
Trade payables	9,518	7,042
Other advance payments from customers	4,672	13,455
Accrued staff costs	7,095	7,219
Other tax payables	–	4,274
Consideration received for assignment of loan receivable *(Note 21(ii))*	32,943	–
Other payables and accrued charges	17,519	18,770
	71,747	50,760

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

	2018 RMB'000	2017 RMB'000
0 – 60 days	1,895	5,294
61 – 120 days	3,296	970
over 120 days	4,327	778
	9,518	7,042

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

24. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES – CONTINUED

Contract liabilities

The following table shows how much of the revenue recognised in the current year relates to carried-forward advance payments from contracts with customers.

	RMB'000
Revenue recognised that was included in the advance payments from contracts with customers balance at the beginning of the year	12,375

25. AMOUNTS DUE TO DIRECTORS

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

26. SHARE CAPITAL

	Number of shares	**Amount**	**Shown in the consolidated financial statements**
		RMB'000	HK$'000
Ordinary shares of HK$0.10 each:			
Authorised			
At 1st January, 2017, 31st December, 2017 and 2018	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2017, 31st December, 2017 and 31st December, 2018	1,168,626,516	116,862	105,965

27. CORPORATE BONDS

On 11th March, 2015, the Company entered into a subscription agreement with an independent third party (the "Subscriber") pursuant to which the Subscriber has agreed to subscribe for and the Company has agreed to issue 6% coupon unlisted corporate bonds in the aggregate maximum principal amount of up to HK$300,000,000, bearing interest rate at 6% per annum and with a maturity date of forty-eight months from the date of issue. As at 31st December, 2018, the corporate bonds amounted to HK$168,117,000 (approximately RMB147,304,000) (2017: HK$165,096,000 (approximately RMB138,003,000)) was recorded as current liabilities (2017: non-current liabilities).

28. BANK BORROWING

	2018 RMB'000	2017 RMB'000
Unsecured bank loan – payable within a period of more than two years* but not exceeding five years and shown under non-current liabilities	**348,624**	–

* The amount due is based on scheduled repayment date set out in the loan agreement.

The range of effective interest rate (which is also equal to contracted interest rate) on the Group's borrowing is 1.2% per annum.

As at 31st December, 2018, the bank loan of RMB348,624,000 (2017: Nil) is guaranteed by Yue Da Capital, a related company of the Group.

The Group's bank borrowing that is denominated in a currency other than the functional currency of the relevant group entities is set out below:

	2018 RMB'000	2017 RMB'000
Euro ("EUR")	**348,624**	–

29. PROVISIONS

	RMB'000
Restoration, rehabilitation and environmental costs	
At 1st January, 2017	2,307
Imputed interest	17
At 31st December, 2017	2,324
Eliminated on disposals of subsidiaries	(413)
At 31st December, 2018	1,911

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

30. DEFERRED TAX

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

	Impairment loss on factoring receivables RMB'000	**Temporary differences on non-current assets** RMB'000 *(note)*	**Withholding taxes** RMB'000	**Total** RMB'000
At 1st January, 2017	–	83,614	9,249	92,863
Credit to profit or loss	–	(33,358)	(2,692)	(36,050)
Reversal upon payment of withholding tax	–	–	(1,400)	(1,400)
Disposals of subsidiaries	–	28,153	–	28,153
At 31st December, 2017	–	78,409	5,157	83,566
(Credit) charge to profit or loss	(647)	(591)	160	(1,078)
Disposal of a subsidiary	–	(34,578)	–	(34,578)
At 31st December, 2018	(647)	43,240	5,317	47,910

30. DEFERRED TAX – CONTINUED

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2018 RMB'000	2017 RMB'000
Deferred tax assets	(647)	–
Deferred tax liabilities	48,557	83,566
	47,910	83,566

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

At 31st December, 2018, the Group had tax losses of RMB3,145,000 (2017: RMB12,729,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such tax losses can be carried forward for five years following the loss year.

In addition, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have been recognised was RMB96,635,000 (2017: RMB72,235,000).

31. DISPOSALS OF SUBSIDIARIES

(a) On 28th May, 2018, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Yue Da HK pursuant to which the Group has agreed to sell and the Yue Da HK has conditionally agreed to acquire the 100% equity interest in Absolute Apex ("Absolute Apex Disposal"). The total consideration for the disposal is RMB140,000,000. The principal asset of the Absolute Apex is its investment in a wholly owned subsidiary, Ample Source Investment Limited ("Ample Source") and a 70% owned subsidiary, Tong Ling Guan Hua Mining Co., Ltd. ("Tong Ling Guan Hua") which are engaging in mining and processing and sales of gold and processing and sales of tailings and leach residue of gold ores. The disposal was completed during the year ended 31st December, 2018.

31. DISPOSALS OF SUBSIDIARIES – CONTINUED

(a) – Continued

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

	RMB'000
Net assets disposed of:	
Property, plant and equipment	18,117
Mining rights	153,565
Long term deposits	8,485
Inventories	1,592
Trade and other receivables	3,300
Cash and cash equivalents	1,960
Amounts due from group entities	15,408
Trade and other payables	(2,381)
Taxation payable	(806)
Provisions	(413)
Deferred tax liabilities	(34,578)
	164,249
Non-controlling interests	(27,950)
	136,299
Gain on disposal	3,701
Total consideration	140,000
Satisfied by:	
Amount due to a related company	140,000
Net cash outflow arising on disposal:	
Bank balances and cash disposal of	(1,960)

During the period between 1st January, 2018 and the date of disposal, Absolute Apex and its subsidiaries contributed no material profit or loss to the Group's results. Absolute Apex and its subsidiaries did not have material effect on the Group's cash flow during the year.

31. DISPOSALS OF SUBSIDIARIES – CONTINUED

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

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

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

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

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

31. DISPOSALS OF SUBSIDIARIES – CONTINUED

(c) – Continued

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

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

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

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

(d) On 11th December, 2017, a third party has successfully bid for the 100% equity interest in Fly Ascent Group Limited ("Fly Ascent") under an open action held on 11th December, 2018 by the Company. The successful bid price is RMB65,100,000. The principal asset of the Fly Ascent is its investment in a wholly owned subsidiary, Tengchong Ruitu which is engaged in mining and processing iron and zinc. The disposal was completed during the year ended 31st December, 2017.

31. DISPOSALS OF SUBSIDIARIES – CONTINUED

(d) – Continued

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

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

Notes:

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

(2) During the year ended 31st December, 2018, the deferred consideration of RMB50,660,000 was fully settled.

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

32. SHARE-BASED PAYMENTS

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

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

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

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

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

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

(a) any eligible employee;

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

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

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

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

32. SHARE-BASED PAYMENTS – CONTINUED

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

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

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

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

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

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

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

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

32. SHARE-BASED PAYMENTS – CONTINUED

At 31st December, 2018, the number of shares in respect of which options remained outstanding under the Scheme was 2,097,506 (2017: 10,833,858), representing 0.2% (2017: 1%) of the shares of the Company in issue at that date.

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

	Date of grant	Exercise price per share	Exercisable period	Outstanding at 1st January, 2017	Expired during the year	Outstanding at 31st December, 2017	Expired/ forfeited during the year	Outstanding at 31st December, 2018
Directors of the Company	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	434,393	–	434,393	–	434,393
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	2,270,014	–	2,270,014	(2,270,014)	–
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	1,719,144	(1,719,144)	–	–	–
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	1,289,358	(1,289,358)	–	–	–
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	1,289,358	(1,289,358)	–	–	–
				7,002,267	(4,297,860)	2,704,407	(2,270,014)	434,393
Other eligible persons	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	2,656,012	–	2,656,012	(992,899)	1,663,113
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	3,351,039	–	3,351,039	(3,351,039)	–
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	1,804,040	–	1,804,040	(1,804,040)	–
	19th April, 2010	1.6170	20th April, 2011 to 19th April, 2020	159,180	–	159,180	(159,180)	–
	19th April, 2010	1.6170	20th April, 2012 to 19th April, 2020	159,180	–	159,180	(159,180)	–
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	6,133,737	(6,133,737)	–	–	–
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	4,600,302	(4,600,302)	–	–	–
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	4,600,302	(4,600,302)	–	–	–
	23rd January, 2014	0.445	*Note i*	9,000,000	(9,000,000)	–	–	–
				32,463,792	(24,334,341)	8,129,451	(6,466,338)	1,663,113
Total				39,466,059	(28,632,201)	10,833,858	(8,736,352)	2,097,506
Exercisable				30,466,059		10,833,858		2,097,506
Weighted average exercise price (HK$)				0.71		1.00		0.85

32. SHARE-BASED PAYMENTS – CONTINUED

Note:

(i) Pursuant to a grant letter entered between the Company and an eligible grantee ("Grantee") on 23rd January, 2014 ("Grant Letter"), share options in respect of up to a total of 9,000,000 ordinary shares of HK$0.10 each in the share capital of the Company were granted by the Company to the Grantee in consideration of the provision by the Grantee as an investment consultant engaged by the Company of certain services to the Group from time to time. The exercisable period of those share options is from the date of the exercise condition being satisfied as specified in the Grant Letter, and expire on the third anniversary of the date of grant. The details of the Grant Letter are set out in the Company's announcement dated 23rd January, 2014. These share options were expired during the year ended 31st December, 2017.

The Group recognised the total expenses of Nil (2017: Nil) for the year ended 31st December, 2018 in relation to the share options granted by the Company.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

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

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

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 **RMB'000**	2017 RMB'000
Financial assets		
Financial assets at amortised cost/loans and receivables (including cash and cash equivalents)	**883,643**	712,034
Financial liabilities		
Amortised cost	**736,217**	616,587

Financial risk management objectives and policies

The Group's major financial instruments include long term deposits, trade and other receivables, amounts due from related companies, cash and cash equivalents, trade and other payables, amounts due to related companies/directors, corporate bonds and bank borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

34. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Market risk

Currency risk

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

	Liabilities		Assets	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
US$	**32,943**	–	**106,503**	81,176
HK$	**305,168**	144,498	**2,019**	1,126
EUR	**348,624**	–	**–**	–

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK$ and US$. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The sensitivity analysis includes other receivables, amounts due from related companies, amounts due to related companies, amounts due to directors, cash and cash equivalents, corporate bonds and bank borrowing that are denominated in HK$, US$ and EUR. A positive number below indicates an increase in post-tax loss for the year where HK$, US$ and EUR weakening 5% (2017: 5%) against the functional currency of the relevant group entities. For a 5% (2017: 5%) strengthen of HK$, US$ and EUR against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result.

34. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Market risk – Continued

Currency risk – Continued

Sensitivity analysis – Continued

	US$ Impact		HK$ Impact		EUR$ Impact	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Post-tax loss for the year	**3,678**	4,059	**(15,157)**	(7,169)	**(17,431)**	–

The Group's sensitivity to foreign currency has increased during the current year mainly due to an increase in liabilities that are denominated in EUR.

Interest rate risk

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

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

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate and The People's Bank of China Base Lending Rate arising from the Group's bank balances.

34. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment

As at 31st December, 2018, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk on factoring receivables, other receivables and deferred consideration receivables. Factory receivables, other receivables and deferred consideration receivables were mainly due from six (2017: one), two (2017: two) and Nil (2017: one) external parties respectively.

The Group has closely monitored the recoverability of the receivables from these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

In order to minimise the credit risk in relation to trade receivables and factoring receivables, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model).

The Group applies the HKFRS 9 to measure ECL for which uses a 12m ECL for factoring receivables. The management maintains the credit file for respective borrower which contain the financial condition of the borrowers, past collection history and guarantee, if any, for the assessment of the internal credit rating of the factoring receivables. To measure the ECL, factoring receivables have been assessed individually. The credit losses expectations are based on the Group's past experience of collecting payments, historical loss ratio, macroeconomic factors, industry practice, internal credit rating and forward-looking information.

In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk on liquid funds (i.e. bank balances) is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

34. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Other receivables				
Watch list	12m ECL	0.93%	32,942	305
Doubtful	Lifetime ECL	6.65%	40,925	2,723
Factoring receivables				
Low risk	12m ECL	0.41%	633,000	2,587

34. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

The movements in the allowance for impairment in respect of other receivables and factoring receivables as included in "trade and other receivables" during the reporting period were as follows:

	Other receivables			Factoring receivables
	12m ECL (not credit-impaired)	**Lifetime ECL (credit-impaired)**	**Total**	**12m ECL (not credit-impaired)**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31st December, 2017, under HKAS 39	–	3,972	3,972	–
Adjustment upon application of HKFRS 9	–	1,901	1,901	–
As at 1st January, 2018, as restated	–	5,873	5,873	–
Transfer to 12m ECL – not credit-impaired	4,063	(4,063)	–	–
Net remeasurement of loss allowance	(3,758)	913	(2,845)	2,587
As at 31st December, 2018	305	2,723	3,028	2,587

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

34. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Liquidity risk – Continued

Liquidity risk tables

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1 – 3 months RMB'000	3 months to 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
2018								
Non-derivative financial liabilities								
Trade and other payables	–	36,905	3,486	11,033	267	–	51,691	51,691
Amounts due to related companies	6	11,898	–	176,551	–	–	188,449	188,269
Amounts due to directors	–	329	–	–	–	–	329	329
Corporate bonds	7.81	–	70,321	80,311	–	–	150,632	147,304
Bank borrowing	1.2	–	1,046	3,138	356,991	–	361,175	348,624
		49,132	74,853	271,033	357,258	–	752,276	736,217
2017								
Non-derivative financial liabilities								
Trade and other payables	–	14,336	1,055	2,621	–	–	18,012	18,012
Amounts due to related companies	6	440,252	–	20,800	–	–	461,052	460,252
Amounts due to directors	–	320	–	–	–	–	320	320
Corporate bonds	7.81	–	2,090	6,386	143,704	–	152,180	138,003
		454,908	3,145	29,807	143,704	–	631,564	616,587

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

Fair value

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

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

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amounts due to related companies	**Corporate bonds**	**Bank borrowings**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2017	48,281	145,024	–	193,305
Financing cash flows	414,366	(8,811)	–	405,555
Disposal of subsidiaries *(Note 31(d))*	(3,259)	–	–	(3,259)
Foreign exchange translation	(121)	(9,599)	–	(9,720)
Interest expenses	985	11,389	–	12,374
At 31st December, 2017	460,252	138,003	–	598,255
Financing cash flows	(169,777)	(8,529)	329,520	151,214
Disposal of a subsidiary *(Note 31(a))*	(124,592)	–	–	(124,592)
Purchase of a motor vehicle *(Note 40 (i)(a))*	60	–	–	60
Foreign exchange translation	21,316	6,754	15,602	43,672
Interest expenses	1,010	11,076	3,502	15,588
At 31st December, 2018	188,269	147,304	348,624	684,197

36. RETIREMENT BENEFITS SCHEMES

The relevant PRC subsidiaries are required to make contributions to the state-managed retirement schemes in the PRC based on 20% (2017: 20%) of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staffs.

In addition, the Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes either 5% or 10% (2017: 5% or 10%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost of RMB1,486,000 (2017: RMB1,965,000) recognised to profit or loss represents contributions payable to these schemes by the Group in respect of current year.

37. OPERATING LEASE COMMITMENTS

The minimum lease payments paid under operating leases in respect of rented premises and equipment during the year ended 31st December, 2018 amounted to RMB5,510,000 (2017: RMB3,906,000).

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

	2018 RMB'000	2017 RMB'000
Within one year	**5,835**	3,782
In the second to fifth year inclusive	**260**	197
	6,095	3,979

Included in the above are lease commitment to a fellow subsidiary and the ultimate parent of RMB3,310,000 (2017: RMB3,521,000) by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

38. CAPITAL COMMITMENTS

	2018 RMB'000	2017 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**555**	53

39. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2018, the consideration of Absolute Apex Disposal of RMB140,000,000 was settled through the amount due to a related company.

40. RELATED PARTY DISCLOSURES

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

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

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

Name of related parties	Nature of transactions	2018 RMB'000	2017 RMB'000
Ultimate holding company			
Jiangsu Yue Da	Interest expenses on loan	–	549
Immediate holding company			
Yue Da HK	Rentals paid for office premises and staff quarters by the Group *(Note)*	2,633	2,711
Fellow subsidiary			
Yue Da Enterprise	Rentals paid for staff quarter by the Group *(Note)*	537	473
Jiangsu Yue Da Group Finance	Interest expenses on loan	1,010	436
Yue Da Commercial Factoring	Interest income from factoring service	61	–
Yaoan Jin San Jiang	Purchase of a motor vehicle	60	–

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

40. RELATED PARTY DISCLOSURES – CONTINUED

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

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

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

Details of the guarantee provided by Yue Da Capital are set out in Note 28.

Details of Absolute Apex Disposal with Yue Da HK during the year ended 31st December, 2018 are set out in Note 31(a).

Details of the operating lease commitment with the related parties are set out in Note 37.

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

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

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

(ii) Compensation of key management personnel

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

	2018 RMB'000	2017 RMB'000
Short-term benefits (including share-based payments)	3,556	3,825
Post-employment benefits	295	296
	3,851	4,121

41. EVENTS AFTER THE REPORTING PERIOD

On 20th March, 2019, the Company and Yue Da HK entered into the conditional sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell, and Yue Da HK has conditionally agreed to purchase the entire equity interest of YDM, at an aggregate consideration of US$5.60 million (equivalent to approximately RMB38.40 million). The principal asset of YDM is the Deposits (as detailed in Note 21(a)). Further details of this transaction are set out in the Company's announcements dated 20th March, 2019.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31st December, 2018 and 2017 are as follows:

Name of subsidiary	Country of establishment and operations	Registered capital	Attributable equity interest held indirectly by the Company		Principal activities
			2018	2017	
			%	%	
Baoshan Feilong Nonferrous Metal Co., Ltd. *(Note)*	PRC	Registered capital – RMB34,500,000	**100**	100	Mining and processing zinc, copper and lead
Tong Ling Guan Hua *(Note)*	PRC	Registered capital – RMB18,000,000	**–**	70	Mining, processing and sales of gold and processing and sales of tailings and leach residue of gold ores
Yueda (Shenzhen) Commercial Factoring Co., Ltd. *(Note)*	PRC	Registered capital – RMB400,000,000	**100**	100	Provision of factoring services accounts receivable management and collection, and factoring consultancy service

Note: The companies are wholly foreign-owned enterprises.

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

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

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	2018	2017	2018	2017
				RMB'000	RMB'000	RMB'000	RMB'000
Tong Ling Guan Hua	PRC	–	30%	(920)	(33,197)	–	28,870

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

Tong Ling Guan Hua

	2017 RMB'000
Current assets	41,533
Non-current assets	170,243
Current liabilities	(74,130)
Non-current liabilities	(40,008)
Equity attributable to owners of the Company	68,768
Non-controlling interests	28,870

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

Tong Ling Guan Hua – Continued

	2018 **RMB'000**	2017 RMB'000
Revenue	**2,519**	7,699
Expenses	**(5,584)**	(152,103)
Income tax credit	**–**	33,747
Loss for the year	**(3,065)**	(110,657)
Loss and total comprehensive expenses attributable to		
– owners of the Company	**(2,145)**	(77,460)
– non-controlling interests	**(920)**	(33,197)
Loss and total comprehensive expenses for the year	**(3,065)**	(110,657)
Net cash outflow from operating activities	**(604)**	(22,044)
Net cash (outflow) inflow from investing activities	**(64)**	2,129
Net cash (outflow) inflow from financing activities	**(10,000)**	28,000
Net cash (outflow) inflow	**(10,668)**	8,085

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Non-current assets		
Property, plant and equipment	41	29
Investments in subsidiaries	230,028	404,720
Amount due from a subsidiary	–	42,191
Other receivables	–	18,807
	230,069	465,747
Current assets		
Other receivables	2,580	57,692
Amounts due from subsidiaries	448,477	2,010
Bank balances and cash	2,240	5,629
	453,297	65,331
Current liabilities		
Other payables and accruals	12,907	10,155
Amounts due to related parties	210,585	11,571
Amounts due to directors	329	320
Corporate bonds	147,304	–
	371,125	22,046
Net current assets	82,172	43,285
Total assets less current liabilities	312,241	509,032
Capital and reserves		
Share capital	105,965	105,965
Reserves	206,276	236,080
Equity attributable to owners of the Company	312,241	342,045
Non-current liabilities		
Corporate bonds	–	138,003
Amount due to a subsidiary	–	28,984
	–	166,987
	312,241	509,032

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

Movement in the Company's capital and reserves:

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital contribution RMB'000 *(Note i)*	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1st January, 2017	105,965	967,576	231,749	16,581	14,588	(930,690)	405,769
Loss for the year	–	–	–	–	–	(63,724)	(63,724)
Expiry of share options	–	–	–	–	(2,843)	2,843	–
At 31st December, 2017	105,965	967,576	231,749	16,581	11,745	(991,571)	342,045
Adjustment	–	–	–	–	–	(1,901)	(1,901)
At 1st January, 2018	105,965	967,576	231,749	16,581	11,745	(993,472)	340,144
Loss for the year	–	–	–	–	–	(27,903)	(27,903)
Expiry of share options	–	–	–	–	(10,976)	10,976	–
At 31st December, 2018	105,965	967,576	231,749	16,581	769	(1,010,399)	312,241

Notes:

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

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

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

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

Notes: – Continued

(i) – Continued

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

Financial Summary

	Year ended 31st December,				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Revenue	134,782	113,655	84,370	79,477	**87,429**
(Loss) profit for the year attributable to:					
Owners of the Company	(223,996)	(163,405)	(41,424)	(25,736)	**(46,515)**
Non-controlling interests	(12,444)	2,605	(424)	(33,197)	**(920)**
	(236,440)	(160,800)	(41,848)	(58,933)	**(47,435)**

	As at 31st December,				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Assets and liabilities					
Total assets	1,100,842	767,878	823,526	1,155,466	**1,163,835**
Total liabilities	(483,324)	(337,939)	(350,470)	(741,343)	**(826,998)**
	617,518	429,939	473,056	414,123	**336,837**
Equity attributable to owners of the Company	529,552	367,448	410,989	385,253	**336,837**
Non-controlling interests	87,966	62,491	62,067	28,870	**–**
	617,518	429,939	473,056	414,123	**336,837**