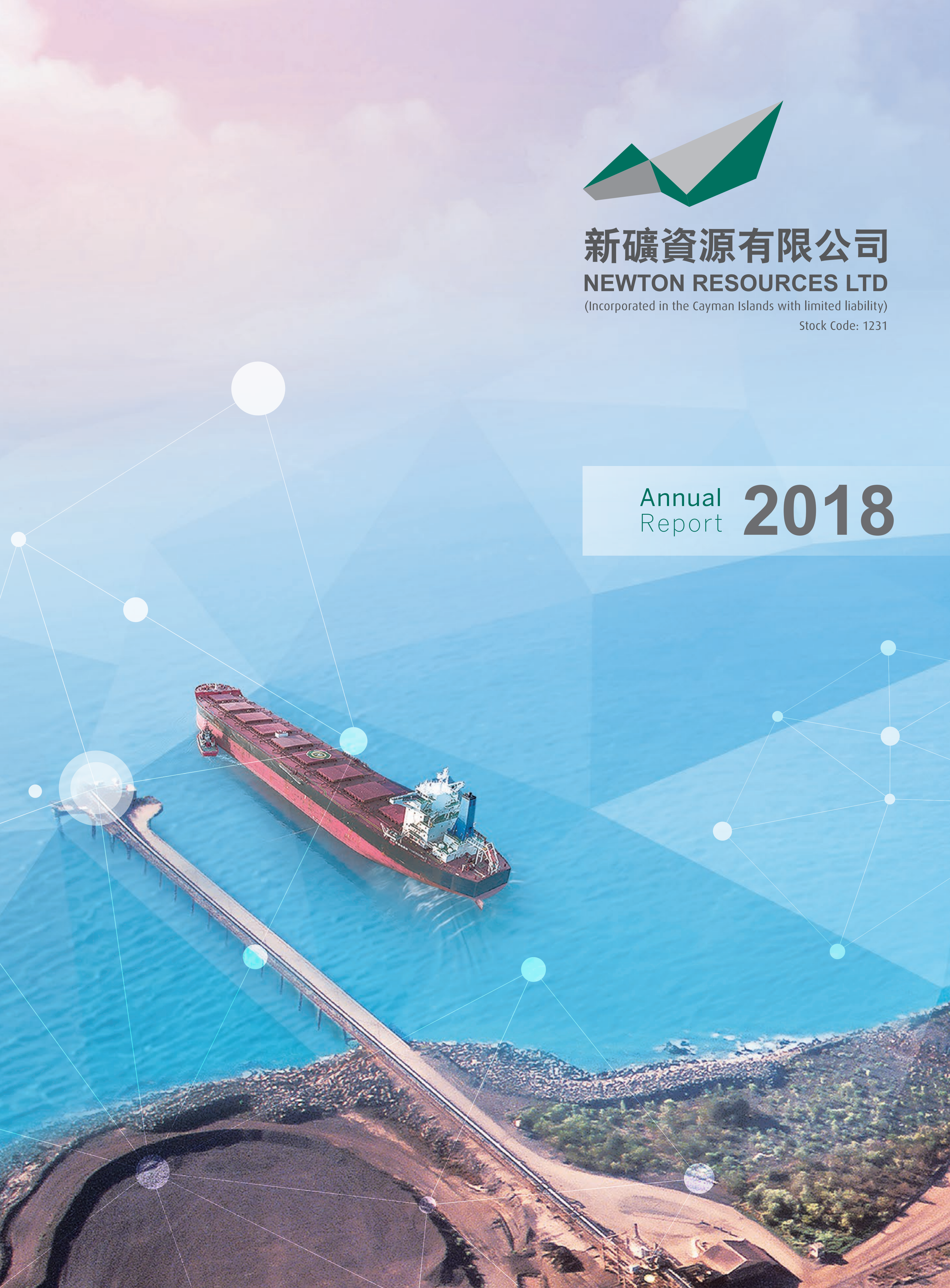

新礦資源有限公司

NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

Annual Report 2018

Contents

Chairman's Statement

Chairman's Statement

Dear Shareholders,

Year 2018 remains a year of struggle to the Group. The Renewal of the Mining Permit of our Yanjiazhuang Mine remains the utmost important task for Xingye Mining. However, despite our persistent efforts, the Renewal application has not been processed by the relevant government authority during the Reporting Period and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. According to the local authority, Xingye Mining could re-submit the Renewal application once it has resolved and obtained certain requisite documents. The management of Xingye Mining has been working closely with the local authority to find a mutually agreeable solution to the adjustment to the mining area, including the proposal to narrow down the Yanjiazhuang Mine area. The management of Xingye Mining has also commenced the preparation of the required reports with a view to pushing forward the Renewal application. The Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities as at the date of this report.

In 2018, there are several other developments in the PRC which could probably have impacts on the Renewal and the business development of the Yanjiazhuang Mine. In particular, the PRC government has released a three-year action plan on air pollution control, solidifying a timetable and roadmap for improving air quality. In view of the more stringent environmental protection measures and legislation being put in place by the PRC government which were not foreseen by the Group, it could be anticipated that the government authorities will need more time and/or further information to consider and process the application for the Renewal, which may not be within the control of the Group. I have instructed the management team to work closely with the relevant government authorities to push forward the Renewal application and to consider further adjustments to the businesses, facilities and measures to catch up with the difficult operating environment of the mining industry before a smooth operation at the Yanjiazhuang Mine could be resumed.

The Group's revenue is mainly derived from our Trading Business in 2018, although it suffers from fierce market competition for products and resulted in a significant decrease as compared to FY 2017. The Group's revenue was approximately RMB318.1 million for the Reporting Period (2017: approximately RMB646.5 million (restated)). Throughout the year, our management team has been actively seeking opportunities to expand the supplier network and secure the long term supply of iron ores and other commodities from overseas mines with a view to developing the Trading Business with quality, sustainable and stable product supply. With sustainable supply, I am looking forward to further development of the Trading Business with better operating and financial performances in the future.

Besides, we continue to look for and evaluate mining and resources projects with potentials in order to enrich the Group's business portfolio, enhance its income stream and maintain its sustainable development.

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

Chong Tin Lung, Benny
Chairman

Hong Kong, 29 March 2019

Management Discussion and Analysis

Management Discussion and Analysis

Market Overview

In 2018, the PRC's gross domestic product grew stably at 6.6% when compared to that of the Corresponding Prior Period, which met the expected growth target and representing a continual trend of steady economic growth.

China's supply side reform for steel industry since 2015 has been well executed, and the steel industry reform shifted to capacity replacement mode in 2018 and onwards with a view to producing higher-quality steel with lesser emissions. The gradual lift in quality will also result in stronger demand for higher-grade raw materials. Capacity reductions combined with output cuts for environmental reasons, helped boost steel industry margins in 2018.

China has been rolling out a slew of measures to boost growth after the economy slowed dramatically ahead of final quarter of 2018. The measures include freeing up liquidity in the system, supporting privately-owned companies, making it easier to buy property and investing in rail and other infrastructure. While steel sales may be hurt by slowing China economic growth and the trade friction between China and the United States of America, construction demand and property and infrastructure projects could still boost or be supportive to steel demand in China in the future.

2018 has been a dull year for iron ores, a commodity which is well-known for big prices swings. Key prices have traded in a narrow range since May 2018. Underpinning the flat price trajectory is a fundamentally balanced market, featuring a modest decline in China's imports, offset by a slight growth in the rest of the world. The iron ore quality is an important driver of value and profitability during the current quiet and balanced market.

Apart from the above, the green development in China had solid advancement during 2018 attributable to several developments in the environmental protection policies in China, which are perceived to be less favourable to the steel and mining industry, especially the open-pit mines. First of all, the environmental protection tax system became effective from 1 January 2018 which replaced the sewage charges. The steel industry has long been criticised as a major source of energy consumption and various kinds of pollutants. The market was worried about the environmental protection tax that may increase the production costs of iron mines and steel mills. Secondly, the State Council of China rolled out the Three-year Action Plan for Winning the Blue Sky Defence Battle (the "Action Plan") which stressed the importance to carry forward the air pollution control initiatives, especially in the Beijing-Tianjin-Hebei cluster and surrounding areas, and other heavily polluted regions, solidifying a timetable and roadmap for improving air quality. We expect more stringent execution of the Action Plan soon.

In January 2019, a tailings dam in Brazil owned by one of the world's largest metals and mining company collapsed, a huge amount of mud and mining wastes unleashed and destroyed the villages nearby and caused human deaths and disappearances. After the tailings dam disaster, the seaborne iron ore price soared up to over US$90 per tonne and remained high at about US$80 per tonne thereafter. The long term impact of the tailings dam disaster towards the iron ore market is still uncertain. The Group will pay attention to the impact on market supply of iron ores so as to adjust the Group's business strategy on the Trading Business as appropriate.

The Group will keep abreast of the latest economic development and the PRC government's policies on environmental protection, production safety as well as the mining industry development and consider the impact thereof so as to push forward the Renewal matters, and build an environmentally friendly mine at the Yanjiazhuang Mine area and to set out the direction of the Group's long-term business development.

Management Discussion and Analysis

Business Review

In 2018, the Group is principally engaged in two businesses, namely, the Trading Business of iron ores and coals and the Mining Businesses at the Yanjiazhuang Mine (i.e. the Iron Concentrate Business and the Gabbro-Diabase and Stone Business). During the Reporting Period, the Group recognised revenue of approximately RMB318.1 million from the continuing operations (2017: approximately RMB646.5 million (restated)), and the Group's Trading Business remained as the primary income stream and revenue of approximately RMB312.4 million was generated from sales of iron ores and coals (2017: approximately RMB644.7 million). Meanwhile, the Group has been actively seeking opportunities to expand the supplier network and secure the long term supply of iron ores and other commodities from overseas mines with a view to developing the Trading Business with quality, sustainable and stable product supply. The Group, through Xingye Mining, also strives to push forward the Renewal of the Mining Permit of the Yanjiazhuang Mine so as to resume the Mining Businesses and develop a harmonious and environmentally friendly mine at the Yanjiazhuang Mining area and a safe workplace for the stakeholders. Nevertheless, despite the effort of Xingye Mining, the Renewal application has not been processed by the relevant government authority during the Reporting Period and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. The Group endeavours to develop the Group's businesses in an amicable manner despite the business, operating and economic environments remaining challenging with high uncertainties in the near future.

Trading Business

During the Reporting Period, the Group sold approximately 0.9 Mt of iron ores and coals (2017: approximately 1.4 Mt of iron ores) and recognised sales revenue from Trading Business of approximately RMB312.4 million (2017: approximately RMB644.7 million), representing a decrease of approximately 52%. During the Reporting Period, the Group has been actively seeking opportunities to expand the supplier network and secure the long term supply of iron ores and other commodities from overseas mines with a view to developing the Trading Business with quality, sustainable and stable product supply.

In 2018, the Group's management has been focusing its effort on securing the supply of iron ores from Australian mines and its long term supplier, SCIT, with major products coming from Australia. The Australian iron ores remained the Group's primary products for the Trading Business during the Reporting Period which are well accepted by the customers, which are mainly the trading arms of steel mills and certain State-owned enterprises.

However, the market competition was fierce leading to the volume of the Group's iron ores traded to decrease and the Group's sales decreased accordingly. Besides, the preference for low grade and the price adjustments on impurities in Australian iron ores had shot upwards. The radical changes in procurement preference in the PRC in 2018 had pushed down the average unit selling price of the Group's Australian-origin iron ores.

Besides, the seaborne iron ore prices were in the range of US$64 to US$77 per tonne for 2018, which has dropped by about 14% to 29% as compared to the highest price of over US$90 in early 2017. As a result, the average unit selling price for iron ores sold by the Group was approximately US$54 per tonne for the Reporting Period (Corresponding Prior Period: approximately US$70 per tonne), the decrease of which was largely in line with the trend of the international iron ore market prices and market adjustments on low grade products and impurities.

Management Discussion and Analysis

Business Review *(Continued)*

Trading Business *(Continued)*

As mentioned above, the Group has been actively seeking long term supply of iron ores from overseas mines. The Group believes that the high-grade iron ores could be on-sold to the customers at higher selling prices and profitability. In view of the PRC's economy transitioning from high-speed to high-quality growth, it could be anticipated that the demand for high-grade iron ores will be stable and on the rise in the future.

In addition to the supply-side, the Group has also been working on the strengthening of the customer business network so that, with the stable supply of quality products, the Group could maintain and improve customer relations with good business continuity and repeated orders so as to support the Trading Business with sustainable growth in the long run.

Apart from the iron ores, the Group also tried to diversify its interests in other mining and resources sector in 2018. The Group has established the first subsidiary in Inner Mongolia in February 2018 and secured the supply of coals from coal mines in Inner Mongolia, hoping to capture the local demand for coals and convert it into a new income driver to the Group.

During the Reporting Period, the Group has been building up its business team which visited various local customers frequently to seek coal-selling opportunities in the region. After negotiation, the team was able to make certain sales contracts for coal products. However, as a new business start-up in Inner Mongolia, certain of these contracts have not turned into attainment, and the trading of coals did not scale up as swiftly as originally envisaged. In 2018, the Group recognised sales revenue from coal trading amounted to approximately RMB2.1 million (2017: Nil). The Group is currently reviewing the business development in and evaluating the business strategy towards Inner Mongolia and may consider reallocating its resources as and when appropriate.

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

Business Review *(Continued)*

Iron Concentrate Business

The Group, through Xingye Mining, owns and operates the Yanjiazhuang Mine in Hebei Province, the PRC. The Yanjiazhuang Mine is an open-pit iron ore and gabbro-diabase mine. However, the Mining Permit had expired in July 2017. The Group submitted the application for the Renewal in early 2017 according to the regulations. Throughout 2017 and the Reporting Period, the management of the Xingye Mining has been working closely with various PRC government authorities in respect of the Renewal. One of the proposals is to adjust and narrow down the Yanjiazhuang Mine area so as to preserve the natural reserves area in the region and to positively respond to the PRC government's direction and development of ecology and environmental policies, while this may also help Xingye Mining to reduce its remaining resources fee payable in relation to gabbro-diabase. Such proposal together with the government's domestic development plan triggered the Land Use Adjustment, which becomes one of the steps for the Renewal of the Mining Permit. The management of Xingye Mining has been in regular contact with the relevant government authorities so as to give impetus to the assessment and adjustment process regarding the Land Use Adjustment. The Group is still waiting for confirmation and approval on Land Use Adjustment which is being liaised among various government authorities. Despite the effort of Xingye Mining, the Renewal application has not been processed by the relevant government authority during the Reporting Period and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. According to the local authority, Xingye Mining could re-submit the Renewal application once it has resolved and obtained certain requisite documents, including, among others, the adjustment to the mining area, the settlement of remaining outstanding resources fees, and certain documents and reports to support the Renewal application. The management of Xingye Mining has been working closely with the local authority to find a mutually agreeable solution to the adjustment to the mining area, including the proposal to narrow down the Yanjiazhuang Mine area (as aforesaid). The management of Xingye Mining has also commenced the preparation of the required reports with a view to pushing forward the Renewal application. The Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities as at the date of this report.

In 2018, there are several other developments in the PRC which are perceived to be less favourable to the mining industry, especially the open-pit mines, and that may have impacts on the Renewal application and future business development of Xingye Mining. Firstly, the merger of several government authorities to form the Department of Natural Resources of Hebei Province, which led to more time being required to explain and coordinate the Renewal application. Secondly, the new Environmental Protection Tax Law came into force on 1 January 2018 which levies specific environmental protection taxes on the industry. Some commentators consider that, with this new tax system, China's regulation of environmental pollution by businesses is expected to be more efficacious. Thirdly, the PRC government has released a three-year action plan on air pollution control in August 2018, solidifying a timetable and roadmap for improving air quality, i.e. the Action Plan (as mentioned above). In view of these more stringent environmental protection measures and legislation being put in place by the PRC government which were not foreseen by the Group, it could be anticipated that the PRC government authorities will need more time and/or further information to consider and process the application for the Renewal, which may not be within the control of the Group. Apart from the above, Hebei Province has issued new rules concerning fees of mining rights which are not meant to have any retrospective effect, but there is no assurance that these new rules would not apply to the renewed mining rights in future.

Management Discussion and Analysis

Business Review *(Continued)*

Iron Concentrate Business *(Continued)*

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

Moreover, Xingye Mining had to cope with the resumption of the Iron Concentrate Business. In order to foster the local villagers to resolve the local matters in an agreeable manner, the management of Xingye Mining has been under discussions with governmental and village representatives and has been exploring more alternatives and considering other collaboration possibilities as appropriate with the aim to bring back the operations at the Yanjiazhuang Mine, including an award sharing proposal so that the villagers could be entitled to benefit from the resumption, smooth operation and performance of the Yanjiazhuang Mine in the long run. As far as known to Xingye Mining, the Yanjiazhuang Mine is near the locations with ecological development and tourism value. The management of Xingye Mining is also conducting studies and researches on the feasibility of and negotiating with governmental and village representatives on the future development of and the integration of "Agricultural-Cultural-Ecological-Tourism" business model to the Mining Businesses of Xingye Mining which may possibly bring new business environment to the Yanjiazhuang Mine area and to smooth out the local issues and to cater for the green development trend of the PRC government. The management of Xingye Mining will continue to negotiate with local village representatives to understand the co-development potential and economic values of this ecological proposal so as to evaluate and adjust the business plan, as and when appropriate.

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

Business Review *(Continued)*

Gabbro-Diabase and Stone Business

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

During the Reporting Period, the Group recognised sales of highway crushed stone produced in prior years of approximately RMB5.7 million (2017: approximately RMB1.8 million), attributed to the nearby infrastructure development.

As discussed in the "Iron Concentrate Business" section, the Mining Permit had expired in July 2017 and the management of Xingye Mining has been working closely on the Renewal matters throughout 2017 and the Reporting Period. Despite the effort of Xingye Mining, the Renewal application has not been processed by the relevant government authority during the Reporting Period and Xingye Mining is preparing additional documents to meet the requirements for the Renewal and find a mutually agreeable solution to the adjustment to the mining area.

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

In addition, in respect of the Mining Permit for gabbro-diabase at the Yanjiazhuang Mine, the remaining instalments of the resources fee payable, which amounted to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement but remained unpaid up to date. In view of the tightening environmental protection measures and unfavourable economic and market outlook, the management of Xingye Mining has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms under the Renewal. For detailed discussions of the Renewal, please refer to the section headed "Iron Concentrate Business" above.

Business Review *(Continued)*

Gabbro-Diabase and Stone Business *(Continued)*

In line with the general trend in the policies for environmental protection and emission reduction in China and with the purpose of constructing an environmentally friendly mine and enhancing the utilisation rate of ore resources, the Group installed environmental protection structures at the production facilities and other sites for the production of gabbro-diabase and stone, so as to mitigate any adverse impact on surrounding areas during the production process. The Group also placed great emphasis on production safety at the production facilities, making every effort to provide staff with a safe working environment. However, attributed to the requirements for the Environmental Upgrade and local new demands and nuisance as a result of the Disaster since 2016 (which have largely been agreed and settled during the Reporting Period), the Group's production of gabbro-diabase and stone at these production facilities has been suspended. As such, the management of Xingye Mining implemented certain cost-saving measures in recent years so as to reduce the operating and administrative costs of the Yanjiazhuang Mine.

Since late 2017, Xingye Mining has been pushing forward the remaining outstanding works on the Environmental Upgrade with an aim to meet the requirements for the Environmental Upgrade and be accepted by the relevant environmental protection authority (the "EPA"). However, further construction and remedial works shall be required before the environmental protection requirement could be attained. Xingye Mining has arranged its staff members to attend to these follow-up works so as to meet the required standards for satisfactory completion of the Environmental Upgrade. The management of Xingye Mining has also been actively addressing the demands in relation to the Disaster during the Reporting Period. It is believed that, having satisfied these local demands, the village representatives will focus on the negotiation with the Group with a view to achieving consensus and swift settlement of the disputes and issues surrounding the Yanjiazhuang Mine.

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

Other business: Car-Park Business

The Group had also been engaged in operating car-parks in a commercial building in the Hong Kong Island since 2016 (the "Car-Park Business"). However, in view of severe competition among car-park operators and limited scale of operation of the Car-Park Business which resulted in the segmental loss and to allow the Group to focus its management efforts on the Group's Trading Business, and mining and resources related projects, the Group disposed of the Car-Park Business in August 2018. For details of the disposal and the results and cash flows of the Car-Park Business, please refer to notes 1, 10 and 27 to the consolidated financial statements.

Mine-Related Capital Expenditure and Infrastructure Development

During the Reporting Period, the Group incurred capital expenditure amounting to approximately RMB0.3 million, mainly represented the works in relation to the Environmental Upgrade.

Gabbro-Diabase and Stone Business

During the Reporting Period, the Group carried out construction works in relation to the Environmental Upgrade.

Capital expenditure of the Gabbro-Diabase and Stone Business during the years ended 31 December 2018 and 2017 are indicated below:

	2018 **RMB'million**	2017 RMB'million
Construction costs	**0.3**	1.1

During the Reporting Period, the new contract and commitment entered into by the Group for the Gabbro-Diabase and Stone Business including those related to infrastructure projects (road and railway), subcontracting agreements and purchases of equipment amounted to approximately RMB0.2 million (2017: Nil). It is expected that upon the completion of the Renewal, Xingye Mining will further proceed with the relevant constructions so as to support the development of the Gabbro-Diabase and Stone Business as and when appropriate.

Iron Concentrate Business

Due to the land expropriation disputes and the disturbances around and expiration of the Mining Permit in July 2017, the remaining construction of Phase Two and Phase Three expansion plans were suspended during the Reporting Period, and the Group did not incur any material capital expenditure or carry out any material infrastructure development for the Iron Concentrate Business during the years ended 31 December 2018 and 2017.

There was no new contract and commitment entered into by the Group for the Iron Concentrate Business including those related to infrastructure projects (road and railway), subcontracting agreements and purchases of equipment during the years ended 31 December 2018 and 2017. It is expected that when disputes and disturbances regarding the iron concentrate production at the Yanjiazhuang Mine are smoothed out and after the completion of the Renewal, Xingye Mining will further proceed with the relevant constructions so as to support the development of the Iron Concentrate Business as and when appropriate.

Management Discussion and Analysis

Exploration Activities

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

Production Costs of the Yanjiazhuang Mine

Gabbro-Diabase and Stone Business

The Group's production costs for the Gabbro-Diabase and Stone Business amounted to approximately RMB3.3 million as recognised in the cost of sales during the Reporting Period (2017: approximately RMB1.4 million).

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

	2018 **RMB'000**	2017 RMB'000
Processing costs		
– Subcontracting fees	**2,751**	813
Overheads		
– Depreciation and amortisation	**205**	173
– Hauling	**205**	349
– Staff costs	**77**	51
– Others	**102**	70
	589	643
Total costs of sales for the Gabbro-Diabase and Stone Business	**3,340**	1,456

Iron Concentrate Business

During the years ended 31 December 2018 and 2017, the Group's iron concentrate production had not yet resumed and therefore no production cost of iron concentrates was recorded.

Iron Ore Resource and Reserve Estimates

Details of the Group's mineral resource and ore reserve estimates at the Yanjiazhuang Mine as at 31 December 2018 under the JORC Code were summarised as below:

Summary of mineral resources*

	Percentage of ownership	JORC Mineral Resource Category	As at 31.12.2018 (Mt)	Average iron grade TFe (%)	As at 31.12.2017 (Mt)	Average iron grade TFe (%)
Yanjiazhuang Mine	99%	Measured	**99.56**	**22.53**	99.56	22.53
		Indicated	**211.96**	**21.03**	211.96	21.03
		Total	**311.52**	**21.51**	311.52	21.51

Summary of ore reserves*

	Percentage of ownership	JORC Ore Reserve Category	As at 31.12.2018 (Mt)	Average iron grade TFe (%)	As at 31.12.2017 (Mt)	Average iron grade TFe (%)
Yanjiazhuang Mine	99%	Proved	**85.56**	**21.39**	85.56	21.39
		Probable	**174.21**	**19.97**	174.21	19.97
		Total	**259.77**	**20.43**	259.77	20.43

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

As mentioned in the "Business Review – Iron Concentrate Business" section above, the Mining Permit had expired in 2017 and the Renewal application has not been processed by the relevant government authority during the Reporting Period and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. According to the local authority, Xingye Mining could re-submit the Renewal application once it has resolved and obtained certain requisite documents, including, among others, the adjustment to mining area, the settlement of remaining outstanding resources fees, and certain documents and reports to support the Renewal application. The management of Xingye Mining has been working closely with the local authority to find a mutually agreeable solution to the adjustment to the mining area, including the proposal to narrow down the Yanjiazhuang Mine area (as aforesaid). The management of Xingye Mining has also commenced the preparation of the required reports with a view to pushing forward the Renewal application. The Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities as at the date of this report.

Gabbro-Diabase Resource Estimates

As mentioned in the "Business Review – Gabbro-Diabase and Stone Business" section above, the Mining Permit had expired in 2017 and the Renewal application has not been processed by the relevant government authority during the Reporting Period and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. According to the local authority, Xingye Mining could re-submit the Renewal application once it has resolved and obtained certain requisite documents, including, among others, the adjustment to mining area, the settlement of remaining outstanding resources fees, and certain documents and reports to support the Renewal application. The management of Xingye Mining has been working closely with the local authority to find a mutually agreeable solution to the adjustment to the mining area, including the proposal to narrow down the Yanjiazhuang Mine area (as aforesaid). The management of Xingye Mining has also commenced the preparation of the required reports with a view to pushing forward the Renewal application. The Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities as at the date of this report. The gabbro-diabase resources at the Yanjiazhuang Mine were estimated at approximately 207 million cubic metres and categorised as an Indicated Resource under the JORC Code as at 31 December 2018 and 2017.

In addition, the remaining instalments of the resources fee payable, which amounted to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement, but remained unpaid up to date. In view of the tightening environmental protection measures and unfavourable economic and market outlook, the management of Xingye Mining has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms under the Renewal.

Production Safety and Environmental Protection

During the Reporting Period, no significant safety-related incidents were recorded in the operations at the Yanjiazhuang Mine. Considering the smoggy weather in Mainland China, especially in Beijing-Tianjin-Hebei cluster, the PRC government is laying down plans to further tighten the relevant environmental protection measures towards heavy polluting industries, such as open-pit mines. To cope with the potential impact of these policy moves on the Mining Businesses, the Group will keep abreast of the latest regulatory requirements and changes, and adopt appropriate environmental and other measures from time to time to facilitate the resumption of operation and production at the Yanjiazhuang Mine.

As mentioned earlier, Xingye Mining has made applications for the renewal of a production safety permit of the Iron Concentrate Business and the grant of a production safety permit of the Gabbro-Diabase Business in a prior year. Upon completion of the Renewal, Xingye Mining shall submit documents to the Safety Authority and other regulatory bodies for the update of the Mining Permit information. In light of the current status of the Renewal application and repeated delays in the renewal or grant of permits over the past few years, the renewal or grant of the production safety permits are beyond the control of the Group, and the management of Xingye Mining will continue to follow up on the progresses as and when the Renewal is expedited.

Production Safety and Environmental Protection *(Continued)*

Moreover, in a prior year, Xingye Mining received a notice from the EPA requiring it to carry out the Environmental Upgrade at the Yanjiazhuang Mine. Since late 2017, Xingye Mining has been pushing forward the remaining outstanding works on the Environmental Upgrade with an aim to meet the requirements for the Environmental Upgrade. However, further construction and remedial works shall be required before the environmental protection requirement could be attained. Xingye Mining has arranged its staff members to attend to these follow-up works so as to meet the required standards for satisfactory completion of the Environmental Upgrade.

Dividend

The Board does not recommend the payment of a dividend in respect of FY 2018 (2017: Nil).

Financial Review

During the Reporting Period, the Group recognised revenue of approximately RMB318.1 million (2017: approximately RMB646.5 million (restated)), decreased by 51%, which mainly came from the Trading Business of iron ores and coals. In August 2018, the Group disposed of its entire interests in the Car-Park Business, which are then classified as the discontinued operation (the "Discontinued Operation"). Analysis of the results and cash flows of the Discontinued Operation is presented in note 10 to the consolidated financial statements. The comparative results have been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

The net loss of the Group from continuing operations for the Reporting Period was approximately RMB106.3 million (2017: approximately RMB46.0 million (restated)), representing an increase by about 1.3 times. The loss attributable to owners of the Company from continuing operations amounted to approximately RMB105.4 million (2017: approximately RMB45.8 million (restated)). The basic and diluted loss per share from continuing operations for the Reporting Period was approximately RMB2.63 cents (2017: approximately RMB1.14 cents (restated)).

The overall increase in net loss was mainly attributed to the recognition of impairment losses arising on the non-current assets at the Yanjiazhuang Mine of approximately RMB59.6 million (as further detailed in notes 13, 14 and 15 to the consolidated financial statements), the increase in the estimated possible payments accrued for the outstanding gabbro-diabase resources fee payable by approximately RMB3.5 million and the absence of write-back of over-accrual of interest and other costs of approximately RMB4.8 million in relation to a litigation that has been settled in FY 2017 during the Reporting Period. The increase is partially offset by the decrease in net foreign exchange losses by approximately RMB7.3 million during the Reporting Period.

Financial Review *(Continued)*

Revenue, Gross Profit and Gross Profit Margin

During the Reporting Period, the Group recognised revenue of approximately RMB318.1 million (2017: approximately RMB646.5 million (restated)), decreased by 51%, which mainly came from the Trading Business of iron ores and other commodities. In 2018, the Group has been focusing its effort on securing the stable supply of Australian iron ores which are well accepted by the trading arms of steel mills and certain State-owned enterprises. However, the market competition was fierce leading to the volume of the Group's iron ores traded to decrease and the Group's sales decreased accordingly. As discussed in more details in the "Business Review – Trading Business" section above, the volume of iron ores traded has decreased by 36% to approximately 0.9 Mt during the Reporting Period, as compared to approximately 1.4 Mt in FY 2017 while the average unit selling price of iron ores supplied by the Group decreased by 23% from about US$70 per tonne for the Corresponding Prior Period to about US$54 per tonne for the Reporting Period, which was in line with the trend of the international iron ore market prices and market adjustments on low grade products and impurities.

In February 2018, the Group set up a wholly-owned subsidiary to engage in the coal trading business in Inner Mongolia. During the Reporting Period, the Group has been building up its business team and the trading of coals did not scale up as swiftly as originally envisaged. During the Reporting Period, the Group recognised revenue of approximately RMB2.1 million (2017: Nil).

During the Reporting Period, the Group recorded an overall increase in gross profit to approximately RMB4.7 million (2017: approximately RMB1.9 million (restated)). This is attributed to the recovery of crushed stone demand from nearby infrastructure and crushed stone products are sold at a higher margin in FY 2018 as compared to FY 2017. As a result, the Group's gross profit margin has slightly improved from 0.3% (restated) for FY 2017 to 1.5% for the Reporting Period.

Cost of Sales

The Group's cost of sales for the Reporting Period decreased by 51% to approximately RMB313.4 million, as compared to approximately RMB644.6 million (restated) in FY 2017. The decrease in cost of sales was in line with the decrease in market price and trading volume of iron ores in the Trading Business.

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

Financial Review *(Continued)*

Administrative Expenses

During the Reporting Period, the Group's administrative expenses were approximately RMB30.3 million, lower than that for the Corresponding Prior Period of approximately RMB34.7 million (restated) by 13%. The decrease was mainly due to decrease in write-down of inventories to net realisable value and professional fees on potential projects by approximately RMB1.6 million and RMB1.2 million respectively for the Reporting Period.

Finance Expense

Finance expense decreased by 74% to approximately RMB2.5 million during the Reporting Period, as compared to approximately RMB9.7 million (restated) in FY 2017. The decrease was mainly due to the decrease in net foreign exchange losses by approximately RMB7.3 million as a result of reduced foreign currency bank balances maintained by the Group during the Reporting Period.

Other Expenses

Other expenses mainly represented the estimated possible payments on the outstanding gabbro-diabase resources fee payable of approximately RMB15.7 million (2017: approximately RMB12.2 million). During FY 2017, other expenses were partially offset by the write-back of over-accrual of interest and other costs of approximately RMB4.8 million in relation to a litigation that has been settled in that period.

Impairment Losses

Attributed to additional time that may be required to obtain the approval for the Renewal and find a mutually agreeable solution to the adjustment to the mining area leading to possible postponement in the resumption of iron concentrate trial production, the Group recognised impairment losses on property, plant and equipment of approximately RMB59.1 million, intangible assets of approximately RMB0.2 million and prepaid land lease payments of approximately RMB0.3 million. Details of these impairment losses are further set out in notes 13, 14 and 15 to the consolidated financial statements.

Income Tax Expense

The income tax expense represented the current year provision for the PRC profits tax arising on the coal trading business in Inner Mongolia. No income tax was recognised in Hong Kong for the Reporting Period as the Group has over-provision of Hong Kong profits tax in the prior year.

Also, it is considered to be premature to recognise the deferred tax assets for tax losses arising in the PRC and Hong Kong as at 31 December 2018. Further details about the Group's income tax are set out in note 9 to the consolidated financial statements.

Financial Review *(Continued)*

Property, Plant and Equipment

As at 31 December 2018, the Group's property, plant and equipment had a net book value of approximately RMB203.5 million (2017: approximately RMB266.2 million), representing mainly the mining and related assets at the Yanjiazhuang Mine and accounted for 33% (2017: 34%) of total assets of the Group. The substantial decrease was mainly attributable to the recognition of impairment losses of approximately RMB59.1 million (2017: Nil) during the Reporting Period. Further details about the Group's property, plant and equipment are set out in note 13 to the consolidated financial statements.

Other Current Financial Assets at Amortised Cost

As at 31 December 2018, the balance of other current financial assets at amortised cost mainly represented trade deposit to a supplier of RMB50.0 million to secure the coal supply for the Trading Business. As at 31 December 2017, these balances were classified as "prepayments and other receivables" and details of the impact of new standards adopted by the Group are set out in note 2.2 to the consolidated financial statements.

Other Current Financial Liabilities

As at 31 December 2018, the balance of other current financial liabilities mainly included gabbro-diabase resources fee payable and accrual for the estimated possible payments accrued thereon of approximately RMB21.5 million and RMB36.6 million respectively. As at 31 December 2017, these balances were classified as "other payables and accruals" and details of the impact of new standards adopted by the Group are set out in note 2.2 to the consolidated financial statements.

In respect of the Mining Permit for gabbro-diabase at the Yanjiazhuang Mine, the remaining three instalments of the resources fee payable, which amounts to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement, but remained unpaid up to date, as further detailed in note 19 to the consolidated financial statements.

Liquidity and Financial Resources

As at 31 December 2018, the Group's cash and cash equivalents amounted to approximately RMB98.0 million (2017: approximately RMB164.3 million), of which 68% were denominated in RMB, 4% were denominated in HKD and 28% were denominated in USD (2017: 3% were denominated in RMB, 5% were denominated in HKD and 92% were denominated in USD), representing 16% (2017: 21%) of total assets of the Group. The decrease in cash and cash equivalents was attributed to the payment of trade deposit of RMB50.0 million for the coal supply of the Trading Business. The Group would also negotiate for other new trade finance facilities with the banks so as to support the further development of the Trading Business in future.

The Group's net cash position (calculated as total cash and bank balances less total borrowings) was approximately RMB98.0 million as at 31 December 2018 (2017: approximately RMB164.6 million), while the Group's liquidity ratio (calculated as current assets divided by current liabilities) was approximately 1.2 as at 31 December 2018 (2017: approximately 1.3), which is considered to be steady.

During the Reporting Period, the Group paid approximately RMB0.8 million for the settlement of the Group's addition of items of property, plant and equipment, mainly related to the works in relation to the Environmental Upgrade and the fixed assets additions for newly established Trading Business in Inner Mongolia. During FY 2017, the Group paid approximately RMB15.1 million for the settlement of the Group's addition of items of property, plant and equipment, mainly related to the settlement of construction fees payable.

Capital Structure and Gearing Ratio

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

As at 31 December 2018, the total equity of the Group amounted to approximately RMB280.0 million (2017: approximately RMB386.1 million).

As the Group had net cash position of approximately RMB98.0 million and RMB164.6 million as at 31 December 2018 and 2017, respectively, it is therefore not considered to have any net gearing as at these dates.

Management Discussion and Analysis

Loans, Indebtedness and Maturity Date

As at 31 December 2018, the Group had HKD-denominated secured bank borrowing amounted to HK$250.0 million (equivalent to approximately RMB219.1 million) (2017: HK$250.0 million (equivalent to approximately RMB209.0 million)). As at 31 December 2018 and 2017, the Group's bank borrowing was secured by time deposits of HK$250.0 million, in aggregate, (equivalent to approximately RMB219.1 million and RMB209.0 million as at 31 December 2018 and 2017 respectively) and carries interest at a floating rate. The maturity of the Group's bank borrowing was subject to the bank's overriding right of repayment on demand.

As at 31 December 2018 and 2017, no property, plant and equipment or leasehold land or land use rights were pledged for the Group's bank borrowings or banking facilities.

Pledge of Assets

As at 31 December 2018 and 2017, the Group's time deposits of HK$250.0 million, in aggregate, (equivalent to approximately RMB219.1 million and RMB209.0 million respectively) had been utilised as securities for the Group's bank borrowing.

Funding and Treasury Policy

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

Exposure to Fluctuations in Exchange Rates

The Group's functional currency is RMB as the assets and operations at the Yanjiazhuang Mine are primarily located in the PRC with transactions settled in RMB while transactions in the Group's Trading Business were settled in USD and RMB.

During the Reporting Period, the Group had transactional currency exposures. Such exposures arose from the sales and purchases of products and other transactions of operating units in currencies other than the Group's functional currencies. Approximately 98% (2017: approximately 99%) and 98% (2017: approximately 99%) of the Group's sales and purchases, respectively during the Reporting Period, and approximately 10% of the Group's net assets as at 31 December 2018 (2017: approximately 40%) were denominated in foreign currency (the USD). Currently, the Group does not have a foreign currency hedging policy. The fluctuation of RMB against USD and HKD during the Reporting Period led to the recognition of net foreign exchange losses of approximately RMB2.7 million (2017: losses of approximately RMB10.0 million (restated)).

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

Management Discussion and Analysis

Exposure to Fluctuations in Commodity Prices

The trading of iron ores imported by the PRC was facing increasing competitions during the Reporting Period. Subsequent to 31 December 2018, based on the prevailing market conditions, the Group adjusted its business model and started to adopt the hedging tools such as iron ore futures and swaps to manage the operational risks that may arise from the iron ore Trading Business.

Segment Information

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

	2018 **RMB'000**	2017 RMB'000 (Restated)
Trading Business	**312,392**	644,730
Iron Concentrate Business (Note)	**–**	–
Gabbro-Diabase and Stone Business	**5,741**	1,762
	318,133	646,492

Note: No revenue had been recorded for the "Iron Concentrate Business" segment for the Reporting Period (2017: Nil) as the Group had yet to resume the trial production of the Iron Concentrate Business at the Yanjiazhuang Mine during the Reporting Period.

Segment Information *(Continued)*

An analysis of the Group's revenue from the external customers by geographical segment is as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Hong Kong	**256,258**	437,438
Mainland China	**61,875**	79,225
North America	**–**	86,906
Asia	**–**	42,923
	318,133	646,492

Furthermore, the majority of the Group's non-current assets are located in the PRC in both periods.

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

Capital Commitments

The Group had the following capital commitments at the end of the reporting periods:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	**38,595**	38,595
– Capital contributions to an associate upon its establishment	**–**	1,500
	38,595	40,095

The Group intends to finance these capital expenditures by internally generated funds or borrowings.

Management Discussion and Analysis

Significant Investments, Acquisitions and Disposals

In March 2018, a Sino-foreign equity joint venture (the "JV") was formed, being an associate of the Group, under an agreement entered into by the Group in October 2017 (the "JV Agreement") with a view to carry out business activities and operations aiming to make contributions to environmental restoration and greening services in the PRC. The Group has satisfied its share of registered capital by internal resources during the Reporting Period. The Group, through the JV, will continue to evaluate the business opportunities in and the economic feasibility in expanding into the environmental restoration and greening services industry in the PRC so as to derive investment return to the Group and its Shareholders in the long run.

In July 2018, the Group entered into two supplemental memoranda of understanding in connection with the extension of exclusivity period of the potential investments in a metal mine in Inner Mongolia, the PRC and gold mine in Suriname, South America, respectively. Negotiations have been carried out during the Reporting Period. The Group is still evaluating the possibility of these mining projects.

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

Employees and Remuneration Policies

As at 31 December 2018, the Group had a total of 79 (2017: 80) employees in Hong Kong and Mainland China.

Hit by a number of unfavourable factors including the Renewal matters and the Disaster, the Iron Concentrate Business continued to be suspended and the Environmental Upgrade had a slow progress. The management of Xingye Mining implemented certain cost-saving measures, and informed local employees of production, operation and sales functions to suspend from attending work until further notice so as to reduce the operating and administrative costs of Xingye Mining. Certain employees left the Group upon the expiry of their contracts or for other reasons. The management of Xingye Mining will review the situation and get the appropriate employees back to work in an orderly and timely manner.

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

Employees and Remuneration Policies *(Continued)*

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

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

Use of Net Proceeds

The net proceeds raised from the IPO of the Company (the "Net Proceeds") in 2011 amounted to approximately RMB1,052 million. As at 31 December 2018, the application of the Net Proceeds is set out as below.

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

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

* In 2014 and 2016, the Company approved the reallocation of the above unutilised Net Proceeds. In March 2018, the Board has resolved to further change the use of the unutilised Net Proceeds, details of which are set out in the Company's announcement dated 27 March 2018.

Management Discussion and Analysis

Group's Profile and Strategies

The Group is principally engaged in two businesses, namely, the Trading Business of iron ores and coals and the Mining Businesses at the Yanjiazhuang Mine (i.e. the Iron Concentrate Business and the Gabbro-Diabase and Stone Business). The Group owns and operates the Yanjiazhuang Mine, an open-pit iron and gabbro-diabase mine located in Hebei Province, the PRC. As a socially responsible enterprise, we endeavour to develop the mine in a harmonious and environmental-friendly manner and focus on creating a safe working space for the stakeholders. With the strategic location arising from the close proximity to steel mills and infrastructure development, the Yanjiazhuang Mine is well positioned to capture the upcoming market opportunities. However, the Mining Permit of the Yanjiazhuang Mine had expired in July 2017 and the Group has been working closely with various PRC government authorities in respect of the Renewal. The Group is also working towards resolving the local issues or satisfying the demands surrounding the Yanjiazhuang Mine in an agreeable manner so as to bring the Mining Businesses back on track as early as practicable.

To enrich the Group's horizon geographically and derive new income stream, we have expanded into the downstream commodity Trading Business and kept looking for opportunities to diversify the product offerings. We aim to grow the Trading Business on a steady-fast manner by tapping our business network in the sector so that we may be able to acquire market share and gain benefits from an economy of scale, therefore creating a return for the Group and its Shareholders as a whole in the long run.

Looking ahead, the Group shall monitor the progress in respect of the permits for the Yanjiazhuang Mine so as to formulate a strategy thereon. As regards the Trading Business, the Group has recently been actively negotiating with overseas mines for the quality, sustainable and stable product supply. Through the new sources of supply, if crystallised, the Group believes that these high-grade iron ores could be on-sold to the customers at higher selling prices and profitability.

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

Management Discussion and Analysis

Outlook and Future Plans

The Group's business development remains challenging and contains uncertainties in 2019 and the foreseeable future. Recently, the US-China trade friction has induced greater uncertainty in the global political, business and economic outlook.

The Renewal of the Mining Permit and the resumption of operation and production at the Yanjiazhuang Mine remains the Group's top priority. However, the PRC government has been determined to win the Blue Sky Defence Battle which may lead to stricter enforcement of the environmental protection measures in 2019 that could hinder the Group's business development at the Yanjiazhuang Mine. As discussed above, despite the effort of Xingye Mining, the Renewal application has not been processed by the relevant government authority during the Reporting Period and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. Xingye Mining will need more time and effort to work on the Renewal matters, including but not limited to finding a mutually agreeable solution to the adjustment to the mining area, the settlement of remaining outstanding resources fees, and certain documents and reports to support the Renewal application, so as to complete the Renewal process as soon as practicable. The Group will continue to evaluate and consider adjustments on its plan for Xingye Mining, as and when appropriate.

As regards the Trading Business, the Group has recently been actively negotiating with overseas mines for the quality, sustainable and stable product supply. Through the new sources of supply, if crystallised, the Group believes that these high-grade iron ores could be on-sold to the customers at higher selling prices and profitability. On this direction, the Group will continue to develop and grow the Trading Business in 2019 and to build up and maintain a good business relationship with the suppliers while widening the customer base so as to improve its operating and financial performances. The Group will also keep attention on the US-China trade tensions and its impacts on the global commodity demands and prices.

Last but not least, the Group will cautiously explore and capture China and overseas mergers and acquisitions and other collaboration or investment opportunities in the foreseeable future. However, the project progress depends on the negotiations, the project-specific circumstances and future changes in political, market and economic conditions. The Group endeavours to capture those prosperous investment opportunities as and when they arise so as to achieve sustainable development of the Group and create value for the Shareholders in the long run.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for FY 2018.

Corporate Governance Practices

The Board strongly believes that corporate governance is an integral part of the Company's mission in our pursuit of growth and value creation. The Board strives to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the interest of the Shareholders. During FY 2018, we adopted corporate governance principles that emphasise a quality Board, effective risk management and internal control systems, stringent disclosure practices, transparency and complete accountability towards all the stakeholders of the Company.

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

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

The Board

Responsibilities

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

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

The Board *(Continued)*

Board Composition

The Board currently comprises seven Directors, consisting of three executive Directors, one non-executive Director and three independent non-executive Directors. Dr. Cheng Kar Shun resigned as a non-executive Director and the chairman of the Board, whereas Mr. Chong Tin Lung, Benny was appointed as an executive Director, the chairman of the Board and Investment Committee and member of each of the Nomination Committee and Remuneration Committee, with effect from 9 April 2018. All Directors possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. Biographies of the Directors are set out from pages 52 to 56 of this annual report under the section headed “Directors’ and Senior Management’s Profile”.

The list of Directors (by category) as set out under “Corporate Information” on page 171 is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified as such in all corporate communications of the Company pursuant to the Listing Rules.

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

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

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

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

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

The Board *(Continued)*

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the chairman of the Board and the chief executive officer to ensure a balance of power and authority. Their respective responsibilities are clearly defined and set out in writing. During FY 2018, the role of chairman was held by Dr. Cheng Kar Shun for the period from 1 January 2018 to 8 April 2018 and Mr. Chong Tin Lung, Benny was then appointed as chairman of the Board with effect from 9 April 2018, and the Company does not have a chief executive officer.

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

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

Appointment, Re-election and Removal of Directors

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

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

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

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

The Board *(Continued)*

Nomination Committee

The Nomination Committee was established on 8 June 2011 and comprised four members during FY 2018, including Mr. Lee Kwan Hung (Chairman of the Committee), Mr. Tsui King Fai and Mr. Shin Yick, Fabian, all being independent non-executive Directors, and Mr. Chong Tin Lung, Benny (appointed with effect from 9 April 2018), being an executive Director.

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

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

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

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

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

The Board *(Continued)*

Nomination Committee *(Continued)*

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

A summary of the work performed by the Nomination Committee during FY 2018 is set out as follows:

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

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

– Recommended the re-appointment of retiring Directors at the 2018 AGM;

– Recommended the appointment of Mr. Chong Tin Lung, Benny as an executive Director, chairman of the Board and the Investment Committee and a member of each of the Nomination Committee and the Remuneration Committee;

– Reviewed and revised terms of reference for Nomination Committee and the board diversity policy in light of the amendments of the Listing Rules with effect from 1 January 2019; and

– Reviewed the nomination procedures for Directors and re-named the same to the nomination policy for Directors.

The Board *(Continued)*

Nomination Committee *(Continued)*

In accordance with articles 106(1) and 106(2) of the Articles, Messrs. Tsui King Fai, Lee Kwan Hung and Luk Yue Kan will retire from their office by rotation at the 2019 AGM. All the above retiring Directors, being eligible, shall offer themselves for re-election as Directors at the 2019 AGM.

The Nomination Committee recommended the re-appointment of these retiring Directors at the 2019 AGM. The Company's circular, sent together with this annual report, contains detailed information of these retiring Directors pursuant to the Listing Rules requirements.

The Nomination Committee held one meeting during FY 2018 and the attendance records of the Nomination Committee members are as follows:

Name of Nomination Committee Member	Attendance/Number of Meeting(s) held
Mr. Lee Kwan Hung *(Chairman)*	1/1
Mr. Chong Tin Lung, Benny (Note 1)	0/0
Mr. Tsui King Fai	1/1
Mr. Shin Yick, Fabian	1/1

Note:

(1) Appointed with effect from 9 April 2018. During the period from the date of appointment to 31 December 2018, no meeting of the Nomination Committee was held.

The Board *(Continued)*

Corporate Governance Functions

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

- To develop and review the Company's policies and practices on corporate governance;
- To review and monitor the training and continuous professional development of the Directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Induction and Continuing Development

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

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

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

The Board *(Continued)*

Induction and Continuing Development *(Continued)*

The Directors confirmed that they have complied with Code Provision A.6.5 of the CG Code about the requirement for the Directors' training. During FY 2018, all the Directors participated in continuous professional development by attending seminars/in-house briefing/reading materials as detailed below to develop and refresh their knowledge and skills and provided records of training to the Company.

	Type of Continuous Professional Development				
	Topics on Training Covered				
Name of Director	**Corporate Governance**	**Regulatory Development**	**Business or Management**	**Other Relevant Topics**	**Reading Seminar Materials and Updates relating to the latest development of the Listing Rules and other regulatory requirements**
Executive Directors					
Mr. Chong Tin Lung, Benny *(Chairman)* (Note 1)	–	–	–	–	✓
Mr. Li Changfa	–	–	–	–	✓
Mr. Luk Yue Kan	✓	✓	✓	✓	✓
Non-executive Directors					
Dr. Cheng Kar Shun *(Chairman)* (Note 2)	–	–	–	–	–
Mr. Wu Wai Leung, Danny	–	–	–	–	✓
Independent Non-executive Directors					
Mr. Tsui King Fai	✓	✓	✓	✓	✓
Mr. Lee Kwan Hung	–	✓	✓	✓	✓
Mr. Shin Yick, Fabian	–	–	–	–	✓

Notes:

(1) Appointed with effect from 9 April 2018.

(2) Resigned with effect from 9 April 2018.

According to the training records received by the Company, an average of approximately 13 training hours were undertaken by each Director during FY 2018.

Besides, continuous briefings and professional development for the Directors will be arranged by the Company where necessary.

The Board *(Continued)*

Board Meetings

Board Practices and Conduct of Meetings

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

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

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

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

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

Directors' Attendance Records and Time Commitment

During FY 2018, four Board meetings were held for reviewing and approving the financial and operating performance, considering and approving the overall strategies and policies of the Group and other matters.

The Board *(Continued)*

Board Meetings *(Continued)*

Directors' Attendance Records and Time Commitment *(Continued)*

The attendance records of individual Directors at the following meetings during FY 2018 are as follows:

Name of Director	Attendance/ Number of Meeting(s) held during the respective term of services: Board Meeting(s)	AGM
Executive Directors		
Mr. Chong Tin Lung, Benny *(Chairman)* (Note 1)	3/3	1/1
Mr. Li Changfa	4/4	1/1
Mr. Luk Yue Kan	4/4	1/1
Non-executive Directors		
Dr. Cheng Kar Shun *(Chairman)* (Note 2)	0/1	0/0
Mr. Wu Wai Leung, Danny	4/4	1/1
Independent Non-executive Directors		
Mr. Tsui King Fai	4/4	1/1
Mr. Lee Kwan Hung	4/4	1/1
Mr. Shin Yick, Fabian	4/4	1/1
Total number of meetings held during FY 2018:	**4**	**1**

Notes:

(1) Appointed with effect from 9 April 2018. During the period from the date of appointment to 31 December 2018, three Board meetings were held.

(2) Resigned with effect from 9 April 2018. During the period from 1 January 2018 to the date of resignation, there was one Board meeting and no AGM was held.

Apart from the above Board meetings, a meeting between the chairman and the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors was also held during FY 2018.

The Board *(Continued)*

Model Code for Securities Transactions

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

Specific enquiry has been made of all the Directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout FY 2018.

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

The Company was not aware of any incident of non-compliance with the Model Code or the Code for Securities Transactions by Relevant Employees throughout FY 2018.

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

Delegation of Management Functions

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

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

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

Delegation of Management Functions *(Continued)*

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

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

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

The majority of the members of each Board committee (except for the Investment Committee) are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 171.

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

Investment Committee

The Investment Committee was established on 7 October 2016 and comprised three members during FY 2018, including Mr. Chong Tin Lung, Benny (appointed as Chairman of the Committee on 9 April 2018) and Mr. Luk Yue Kan, both being executive Directors, and Mr. Wu Wai Leung, Danny (ceased as the Chairman of the Committee on 9 April 2018), being a non-executive Director.

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

Investment Committee *(Continued)*

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

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

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

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

A summary of the work performed by the Investment Committee during FY 2018 is set out as follows:

– Reviewed and recommended to the Board on the sale of the shares in and the assignment of the advance owed by a subsidiary of the Group which engaged in the car-park business.

The Investment Committee held one meeting during FY 2018 and the attendance records of the Investment Committee members are as follows:

Name of Investment Committee Member	Attendance/Number of Meeting(s) held
Mr. Chong Tin Lung, Benny *(Chairman)* (Note 1)	1/1
Mr. Wu Wai Leung, Danny (Note 2)	1/1
Mr. Luk Yue Kan	1/1

Notes:

(1) Appointed with effect from 9 April 2018.

(2) Ceased as the chairman of the Investment Committee and was re-designated as its member with effect from 9 April 2018.

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of the Directors and the senior management. Details of the remuneration of each of the Directors and the senior management for FY 2018 are set out in note 8 to the consolidated financial statements.

Remuneration Committee

The Remuneration Committee was established on 8 June 2011 and comprised four members during FY 2018, including Mr. Lee Kwan Hung (Chairman of the Committee), Mr. Tsui King Fai and Mr. Shin Yick, Fabian, all being independent non-executive Directors, and Mr. Chong Tin Lung, Benny (appointed with effect from 9 April 2018), being an executive Director.

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

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

The Remuneration Committee held two meetings during FY 2018 and the attendance records of the Remuneration Committee members are as follows:

Name of Remuneration Committee Member	Attendance/Number of Meeting(s) held
Mr. Lee Kwan Hung *(Chairman)*	2/2
Mr. Chong Tin Lung, Benny (Note 1)	0/0
Mr. Tsui King Fai	2/2
Mr. Shin Yick, Fabian	2/2

Note:

(1) Appointed with effect from 9 April 2018. During the period from the date of appointment to 31 December 2018, no meeting was held.

Remuneration of Directors and Senior Management *(Continued)*

Remuneration Committee *(Continued)*

A summary of the work performed by the Remuneration Committee during FY 2018 is set out as follows:

– Reviewed the remuneration policy and structure of the Company;

– Reviewed and recommended to the Board on the remuneration packages (including discretionary bonus) of Directors and senior management of the Company for FY 2018;

– Reviewed and recommended to the Board on the renewal of service contract with an executive Director and the renewal of letters of appointment with a non-executive Director and an independent non-executive Director; and

– Reviewed and recommended to the Board on the remuneration packages regarding the appointment of a new executive Director.

Accountability and Audit

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

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

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

During FY 2018, the management has provided the Board with monthly updates so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

Accountability and Audit *(Continued)*

Risk Management and Internal Control

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

During FY 2018, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls in areas such as finance, operations and compliance, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting function. The Board concluded that in general, the Group's risk management and internal control systems and processes for financial reporting and Listing Rules compliance are effective and adequate.

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

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

Monitoring

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

Accountability and Audit *(Continued)*

Risk Management and Internal Control *(Continued)*

Information and Communication

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

Control Activities

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

Risk Assessment

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

Control Environment

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

The Risk Management Department submits internal audit reports annually to the Audit Committee to report the internal audit findings and status update to enable it to assess control of the Group and the effectiveness of risk management. Management is responsible for ensuring appropriate actions are taken to rectify any control weaknesses highlighted in the internal audit reports within a reasonable period. During FY 2018, the Group has not identified any significant control failings or weaknesses, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition.

Accountability and Audit *(Continued)*

Risk Management and Internal Control *(Continued)*

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

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

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

Audit Committee

The Audit Committee was established on 8 June 2011 and comprised three members during FY 2018, including Mr. Tsui King Fai (Chairman of the Committee), who possesses the appropriate professional qualification or accounting or related financial management expertise in accordance with the requirements under the Listing Rules, and Mr. Shin Yick, Fabian, both being independent non-executive Directors, and Mr. Wu Wai Leung, Danny (appointed with effect from 9 April 2018), being a non-executive Director.

Mr. Lee Kwan Hung, being an independent non-executive Director, resigned as a member of the Audit Committee with effect from 9 April 2018.

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

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

Accountability and Audit *(Continued)*

Audit Committee *(Continued)*

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

- To review the financial statements and reports and consider any significant or unusual items raised by the staff responsible for accounting and financial reporting function, internal auditor or external auditor before submission to the Board;
- To review the relationship with the external auditor by reference to the work performed by it, its fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor;
- To review the adequacy and effectiveness of the Group's financial reporting system, risk management and internal control systems and associated procedures; and
- To oversee the risk management and internal control systems of the Group and to report to the Board on any material issues, and make recommendations to the Board.

A summary of work performed by the Audit Committee during FY 2018 is set out as follows:

– Reviewed with the senior management and finance-in-charge and/or the external auditor the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual financial statements for FY 2017 and the interim financial report for the six-months ended 30 June 2018 respectively;

– Met with the external auditor and reviewed its work and findings relating to the annual audit for FY 2017 and the effectiveness of the audit process;

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

– Approved the internal audit report for FY 2017;

– Met with the internal auditor and reviewed and approved the risk assessment report and internal audit plan of the Group for FY 2018 prepared by the internal auditor;

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

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

Accountability and Audit *(Continued)*

Audit Committee *(Continued)*

- Reviewed the Group's continuing connected transactions for the year ended 31 December 2017;
- Noted the impact on the Group's financial reporting in respect of new and amendments to accounting standards; and
- Reviewed and revised terms of reference for Audit Committee in light of the amendments of the Listing Rules with effect from 1 January 2019.

The Audit Committee held two meetings during FY 2018 and the attendance records of the Audit Committee members are as follows:

Name of Audit Committee Member	Attendance/Number of Meeting(s) held
Mr. Tsui King Fai *(Chairman)*	2/2
Mr. Lee Kwan Hung (Note 1)	1/1
Mr. Shin Yick, Fabian	2/2
Mr. Wu Wai Leung, Danny (Note 2)	1/1

Notes:

(1) Resigned as a member of the Audit Committee with effect from 9 April 2018. During the period from 1 January 2018 to the date of resignation, one meeting was held.

(2) Appointed as a member of the Audit Committee with effect from 9 April 2018. During the period from the date of appointment to 31 December 2018, one meeting was held.

The external auditor was invited to attend the meetings without the presence of the executive Directors to discuss with the Audit Committee issues arising from the audit and financial reporting matters. After each meeting, the chairman of the Audit Committee provided the Board with a briefing on the significant issues. An Audit Committee meeting was also held in March 2019 to consider, among others, the Group's annual results and annual report for FY 2018.

External Auditor's Independence and Remuneration

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standards. Members of the Audit Committee were of the view that the Company's external auditor, Messrs. Ernst & Young, is independent and has recommended the Board to re-appoint it as the Company's auditor at the 2019 AGM. During FY 2018, the external auditor has rendered audit services to the Company. The statement about its reporting responsibilities for the Company's financial statements is set out in the section headed "Independent Auditor's Report" on pages 70 to 75.

Accountability and Audit *(Continued)*

External Auditor's Independence and Remuneration *(Continued)*

A summary of audit services provided by the external auditor for FY 2018 and its corresponding remuneration is set out below:

Category of Services	Fees Paid/ Payable RMB'000
Audit/review services	
– Interim review services	550
– Annual audit services	1,600
Total	**2,150**

There was no non-audit service provided by the external auditor for FY 2018.

Company Secretary

The company secretary of the Company (the "Company Secretary"), who is also an executive Director, the chief financial officer and a member of the Investment Committee of the Company, is a full time employee of the Company and has knowledge of the Company's day-to-day affairs. The Company Secretary reports to the chairman of the Board and is responsible for advising the Board on governance matters. During FY 2018, the Company Secretary undertook no less than 15 hours of relevant professional training. His biography is set out on page 53 of this annual report under the section headed "Directors' and Senior Management's Profile".

Constitutional Documents

The Company did not make any change to its constitutional documents during FY 2018. The memorandum and articles of association of the Company are available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited.

Communication with Shareholders and Investor Relations

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

Communication with Shareholders and Investor Relations *(Continued)*

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

The 2019 AGM is scheduled to be held on 12 June 2019. The notice of AGM will be sent to the Shareholders at least 20 clear business days before the AGM.

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

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

Shareholders' Rights

In accordance with article 68 of the Articles, any two or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board and to put forward proposals specified in such requisition by the procedures below:

The Shareholder shall deposit a requisition in writing to require an extraordinary general meeting and to put forward proposals at the Company's principal place of business in Hong Kong at Suite 4117, 41/F, Jardine House, 1 Connaught Place, Central, Hong Kong (marked for the attention of the Company Secretarial Department) or the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders' Rights *(Continued)*

For enquiries to the Board, the Shareholder shall contact the Investor Relations Department at the Company's principal place of business in Hong Kong at Suite 4117, 41/F, Jardine House, 1 Connaught Place, Central, Hong Kong or by e-mail to ir@newton-resources.com. The Company will endeavour to respond to their queries in a timely manner.

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

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

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

Dividend Policy

The Company has adopted a dividend policy, pursuant to which the Shareholders will be entitled to receive any dividend the Company declares. The payment and amount of any dividend will be at the discretion of the Board and will depend on the Group's general business condition and strategies, cash flows, financial results, capital requirements and taxation conditions, interests of respective Shareholders, statutory restrictions, and other factors that the Board deems relevant.

The payment of any dividend will also be subject to the Companies Law (as amended) of the Cayman Islands and the Company's constitutional documents, which indicate that payment of dividends out of the Company's share premium account is possible on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

In general, the Company does not expect to declare dividends in a year where it does not have any distributable earnings.

Dividend Policy *(Continued)*

The Company currently intends to retain certain, if not all, of its available funds and future earnings to operate and expand its business, primarily through start-ups and/or acquisitions.

Cash dividends on the Shares, if any, will be paid in HKD.

The Board will review the dividend policy on an annual basis.

Going Concern

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

Directors' and Senior Management's Profile

Board of Directors

Mr. Chong Tin Lung, Benny
Chairman/Executive Director

Mr. Chong, aged 46, was appointed as an executive Director, the chairman of the Board and the Investment Committee and a member of each of the Nomination Committee and the Remuneration Committee with effect from 9 April 2018.

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

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

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

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

Mr. Wu Wai Leung, Danny
Non-executive Director

Mr. Wu, aged 58, was appointed as a non-executive Director on 21 May 2015. He is currently a member of each of the Audit Committee and the Investment Committee and a director of subsidiaries of the Company. Mr. Wu is also an independent non-executive director of Qianhai Health Holdings Limited (stock code: 911).

Mr. Wu was previously the chairman of the Investment Committee for the period from 7 October 2016 to 8 April 2018. He was also previously an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee, up to his retirement at the conclusion of the 2015 AGM on 21 May 2015.

Mr. Wu was an executive director and the chief executive officer of Greenheart Group Limited (stock code: 94) for the period from May 2015 to 2 November 2018.

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

Mr. Wu has over 20 years of experience in investing and business operations in Asia. Since 2003, Mr. Wu has been a director of First Gateway Capital Limited which engages in early stage investment, and investment advisory services to small and medium enterprises in Asia, with a focus in transportation, resource, manufacturing, technology and telecommunication companies.

Board of Directors *(Continued)*

Mr. Li Changfa
Executive Director/Chief Operating Officer

Mr. Li, aged 72, was appointed as an executive Director and the chief operating officer of the Company on 1 March 2014. He is currently the chairman of the board of directors and legal representative of two PRC subsidiaries of the Company. He is responsible for the overall operation management and strategic development of the Group, and oversees the management, operation, sales and business development of the Yanjiazhuang Mine.

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

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

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

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

Mr. Luk, aged 43, was appointed as an executive Director and the chief financial officer of the Company on 1 April 2015 and is a member of the Investment Committee. He joined the Company in March 2011 as the financial controller. In November 2011, he assumed the additional role of company secretary of the Company. He oversees the trading business, treasury management, financial reporting, company secretarial, human resources, risk management, mergers and acquisitions and investor relations matters of the Company. He is also a director and company secretary of subsidiaries of the Company.

Mr. Luk holds an Executive MBA degree from Richard Ivey School of Business at The University of Western Ontario in Canada and a Bachelor's degree in Accountancy from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, and an associate and a Certified Tax Advisor of the Taxation Institute of Hong Kong. Mr. Luk has over 21 years' experience in auditing, accounting and financial management.

Board of Directors *(Continued)*

Mr. Tsui King Fai
Independent Non-executive Director

Mr. Tsui, aged 69, was appointed as an independent non-executive Director on 15 December 2010 and is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee.

Mr. Tsui currently holds positions in the following companies listed on the Main Board of the Stock Exchange:

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

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

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

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

Board of Directors *(Continued)*

Mr. Lee Kwan Hung
Independent Non-executive Director

Mr. Lee, aged 53, was appointed as an independent non-executive Director on 15 December 2010 and is the chairman of each of the Remuneration Committee and the Nomination Committee. Currently, he is a consultant of Howse Williams.

Mr. Lee currently also holds positions in the following companies listed on the Main Board of the Stock Exchange:

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

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

Moreover, Mr. Lee was an independent non-executive director of Futong Technology Development Holdings Limited (stock code: 465) and Asia Cassava Resources Holdings Limited (stock code: 841), up to his resignation on 18 November 2017 and 13 May 2018 respectively.

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

Directors' and Senior Management's Profile

Board of Directors *(Continued)*

Mr. Shin Yick, Fabian
Independent Non-executive Director

Mr. Shin, aged 50, was appointed as an independent non-executive Director on 14 August 2015 and is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Shin is currently an independent non-executive director of Lisi Group (Holdings) Limited (stock code: 526) and China Tianrui Automotive Interiors Co., Ltd (stock code: 6162), a non-executive director of Pak Tak International Limited (stock code: 2668), those companies are listed on the Main Board of the Hong Kong Stock Exchange, and a director of BIO-key International, Inc. (NASDAQ: BKYI), a company whose shares are traded at the Nasdaq stock market of the United States. He was a senior consultant of a China-based securities company from June 2018 to January 2019, the chief executive officer of a private corporate finance company from August 2015 to May 2018 and the deputy chief executive officer of CMB International Capital Limited from February 2010 to July 2015. Mr. Shin has over 28 years of experience in investment banking and financial management. Prior to joining CMB International Capital Limited, he worked in several investment banks in Hong Kong.

Mr. Shin was an independent non-executive director of Huabang Financial Holdings Limited (stock code: 3638) from 30 September 2016 to 2 October 2018 and an independent non-executive director of China Shun Ke Long Holdings Limited (stock code: 974) from 19 August 2015 to 31 October 2018.

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

Senior Management

Mr. Li Changfa
Chief Operating Officer

(Please refer to the profile details in above section)

Mr. Luk Yue Kan
Chief Financial Officer/Company Secretary

(Please refer to the profile details in above section)

Report of the Directors

The Directors have pleasure in presenting this annual report and the audited consolidated financial statements of the Group for FY 2018.

Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in note 1 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, a review of the financial performance of the Group, the Group's environmental policies and performance and the Group's compliance with the relevant laws and regulations, can be found in the Management Discussion and Analysis set out on pages 4 to 27 of this annual report. Particulars of important events affecting the Group that have occurred since the end of FY 2018 are set out in the section headed "Important Past Year End Events" on page 58. Key relationships with the Group's employees, customers, suppliers and contractors are set out in the sections headed "Relationship with Stakeholders" and "Major Customers and Suppliers" on pages 59 and 60. The abovementioned discussions form parts of the business review as contained in this report of the Directors.

Results and Appropriations

The results of the Group for FY 2018 and the Group's financial position as at 31 December 2018 are set out in the consolidated financial statements on pages 76 to 165.

The Directors do not recommend the payment of a final dividend for FY 2018 (2017: Nil).

Use of Proceeds from the Company's Listing

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

Share Capital

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

Pre-Emptive Rights

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

Equity-linked Agreements

Save for the share option scheme of the Company set out in the section headed "Share Option Scheme" on page 64 and note 26 to the consolidated financial statements, no equity-linked agreements were entered into during FY 2018 or subsisted at the end of FY 2018.

Report of the Directors

Permitted Indemnity Provision

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

Important Past Year End Events

Except as disclosed in this annual report, since 31 December 2018, being the end of the financial year under review, and up to the latest practicable date for the purpose of ascertaining information contained in this annual report, no important event materially affecting the Group has occurred.

Distributable Reserves

As at 31 December 2018, the Company did not have any reserves available for distribution, calculated in accordance with the Companies Law (2018 Revision) of the Cayman Islands. The share premium account of the Company is available for distribution or payment of dividends to the Shareholders subject to the provisions of the Articles and provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts immediately as they fall due in the ordinary course of business.

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

During FY 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

Bank Borrowing

Particulars of bank borrowing of the Company and the Group as at 31 December 2018 are set out in note 23 to the consolidated financial statements.

Relationship with Stakeholders

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

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

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

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

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

Further disclosures about credit terms and creditworthiness of customers and ageing analysis of the Group's receivables and payables are set out in notes 18 and 22 to the consolidated financial statements respectively.

Report of the Directors

Major Customers and Suppliers

For the Reporting Period, the Group's revenue mainly comes from the Trading Business. The aggregate sales to the five largest customers of the Group accounted for approximately 93% of the Group's total revenue for FY 2018 and sales to the largest customer accounted for approximately 48% of the Group's total revenue for FY 2018. The Group has built up its business relationships with these major customers in 2018, which are trading arms of steel mills and certain State-owned enterprises.

For the Reporting Period, the Group's major suppliers include SCIT, an iron mine in Australia and certain traders of iron ore, and providers of fuels, accessories and various supplies to the Yanjiazhuang Mine. The aggregate purchases from the five largest suppliers of the Group accounted for 100% of the Group's total purchases and purchases from the largest supplier accounted for 67% of the Group's total purchases for FY 2018. Except for SCIT and the iron ore suppliers to the Group's Trading Business whose business relationship with the Group started in 2017 and 2018 respectively, other major suppliers are located in the Yanjiazhuang Mine area having some long business relationships with Xingye Mining.

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

Management Contracts

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

Report of the Directors

Directors

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

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

Non-executive Directors
Dr. Cheng Kar Shun *(Chairman) (resigned with effect from 9 April 2018)*
Mr. Wu Wai Leung, Danny

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

In accordance with articles 106(1) and 106(2) of the Articles, Messrs. Tsui King Fai, Lee Kwan Hung and Luk Yue Kan will retire from their office by rotation at the 2019 AGM. All the above retiring Directors, being eligible, shall offer themselves for re-election as Directors at the 2019 AGM.

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

Financial Summary

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 166.

Changes in Directors' Information

The changes in the Directors' information since the disclosure made in the Interim Report 2018 are set out below:

Name of Director	Details of Changes
Mr. Chong Tin Lung, Benny	• The total monthly salary increased from HK$150,000 to HK$160,000 plus discretionary bonus with effect from 1 January 2019.
Mr. Li Changfa	• The total monthly salary increased from RMB130,000 to RMB136,500 plus discretionary bonus with effect from 1 January 2019.
Mr. Luk Yue Kan	• The total monthly salary increased from HK$162,000 to HK$170,100 plus discretionary bonus with effect from 1 January 2019.
Mr. Wu Wai Leung, Danny	• Resigned as an executive director and the chief executive officer of Greenheart Group Limited (stock code: 94), which is a company listed on the Main Board of the Stock Exchange, with effect from 2 November 2018.
Mr. Shin Yick, Fabian	• Resigned as an independent non-executive director of Huabang Financial Holdings Limited (stock code: 3638) and China Shun Ke Long Holdings Limited (stock code: 974), which are companies listed on the Main Board of the Stock Exchange, with effect from 2 October 2018 and 31 October 2018 respectively.
	• Appointed as an independent non-executive director of China Tianrui Automotive Interiors Co., Ltd (stock code: 6162), which is a company listed on the Main Board of the Stock Exchange since 15 January 2019, on 18 December 2018.
	• Resigned as a senior consultant of a China-based securities company in January 2019.

Save for the information disclosed above, there is no other information required to be disclosed in this annual report pursuant to rule 13.51B of the Listing Rules.

Biographical Information of Directors and Senior Management

Brief biographical information of the Directors and senior management of the Company are set out in the section headed "Directors' and Senior Management's Profile" on pages 52 to 56.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2019 AGM has entered into any service agreement with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Transactions, Arrangements or Contracts

Other than as disclosed in the paragraph headed "Connected Transactions" in this report of the Directors and "Related Party Transactions" in note 31 to the consolidated financial statements, at the end of FY 2018 or at any time during FY 2018, no transaction, arrangement or contract of significance in relation to the Company's business, which was entered into between the Company or any of its subsidiaries and any of its controlling shareholders and their subsidiaries, or in which a Director or an entity connected with a Director had, whether directly or indirectly, a material interest subsisted.

Directors' Interests in Competing Business

During FY 2018 and up to the date of this annual report, the following Director is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules:

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

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

Report of the Directors

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

As at 31 December 2018, none of Directors and chief executive of the Company has any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (the "Associated Corporations"), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company adopted a share option scheme on 9 April 2010. No share option had been granted under the share option scheme since its adoption date (Details in note 26 to the consolidated financial statements).

Rights to Purchase Shares or Debentures of Directors and Chief Executive

Other than the aforesaid share option scheme of the Company, at no time during the year ended 31 December 2018 had the Company or any of its subsidiaries entered into any arrangement which enables the Directors or chief executive of the Company to have the right to subscribe for securities of the Company or any of its Associated Corporations or to acquire benefits by means of acquisition of Shares in or debentures of the Company or any of its Associated Corporations.

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

Long Position in Shares

As at 31 December 2018, so far as known to any Director or chief executive of the Company, the following parties (other than Directors or chief executive of the Company) had interests in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Nature of interest	Total number of Shares held	Approximate percentage of total issued Shares
Mak Siu Hang, Viola[(1)]	Interest of controlled corporation	1,149,744,000	28.74%
VMS Investment Group Limited ("VMSIG")[(1)]	Beneficial interest, interest of controlled corporation	1,149,744,000	28.74%
Fast Fortune Holdings Limited ("Fast Fortune")[(1)]	Beneficial interest	360,000,000	9.00%
Shougang Group Co., Ltd.[(2)]	Interest of controlled corporation	1,098,570,000	27.46%
Shougang Holding (Hong Kong) Limited ("Shougang Hong Kong")[(2)]	Interest of controlled corporation	1,098,570,000	27.46%
Lord Fortune Enterprises Limited ("Lord Fortune")[(2)]	Beneficial interest	370,000,000	9.25%
Plus All Holdings Limited ("Plus All")[(2)]	Beneficial interest	728,570,000	18.21%
Cheng Yu Tung Family (Holdings) Limited[(3)]	Interest of controlled corporation	620,000,000	15.50%
Cheng Yu Tung Family (Holdings II) Limited[(4)]	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook Capital Limited ("CTF Capital")[(5)]	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook (Holding) Limited ("CTF Holding")[(6)]	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook Enterprises Limited ("CTF Enterprises")[(7)]	Interest of controlled corporation	620,000,000	15.50%
New World Development Company Limited ("NWD")[(8)]	Interest of controlled corporation	620,000,000	15.50%
NWS Holdings Limited ("NWS")[(9)]	Interest of controlled corporation	620,000,000	15.50%
NWS Resources Limited ("NWS Resources")[(9)]	Interest of controlled corporation	620,000,000	15.50%
NWS Mining Limited ("NWS Mining")[(9)]	Interest of controlled corporation	620,000,000	15.50%
Modern Global Holdings Limited ("Modern Global")[(9)]	Interest of controlled corporation	620,000,000	15.50%
Perfect Move Limited ("Perfect Move")[(9)]	Interest of controlled corporation	620,000,000	15.50%
Faithful Boom Investments Limited ("Faithful Boom")[(9)]	Beneficial interest	620,000,000	15.50%

Substantial Shareholders' and Other Parties' Interests in Shares and Underlying Shares *(Continued)*

Long Position in Shares *(Continued)*

Notes:

(1) Fast Fortune and VMSIG held 360,000,000 Shares and 789,744,000 Shares as beneficial owners, respectively. Ms. Mak Siu Hang, Viola held a 100% direct interest in VMSIG. Fast Fortune was a wholly-owned subsidiary of VMSIG. Therefore, Ms. Mak Siu Hang, Viola was deemed to be interested in all the Shares held by each of VMSIG and Fast Fortune, and VMSIG was deemed to be interested in all the Shares held by Fast Fortune.

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

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

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

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

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

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

(8) NWD held more than 60% direct interest in NWS and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by NWS.

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

Save as disclosed above, the Directors are not aware of any persons who, as at 31 December 2018, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

Sufficiency of Public Float

According to information that is available to the Company and within the knowledge of the Directors, the percentage of the Shares which are in the hands of the public (as defined in the Listing Rules) exceeds 25% of the Company's total number of issued Shares during FY 2018 and up to the date of this report.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 28 to 51.

Connected Transactions

The following continuing connected transactions were recorded for FY 2018:

(I) Master Purchase Agreement

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

(II) Annual review of the continuing connected transactions

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

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

(b) on normal commercial terms or better; and

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

Connected Transactions *(Continued)*

(II) Annual review of the continuing connected transactions *(Continued)*

Pursuant to rule 14A.56 of the Listing Rules, the Board has engaged the auditor of the Company to review the above disclosed continuing connected transactions of the Group for FY 2018 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued its unqualified letter to the Board containing its findings and conclusions in respect of the above disclosed continuing connected transactions of the Group in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided to the Stock Exchange. The Company had complied with all disclosure requirements applicable to such continuing connected transactions under Chapter 14A of the Listing Rules.

Save as disclosed above, a summary of significant related party transactions is disclosed in note 31 to the consolidated financial statements. These transactions constitute continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules that are exempt from any disclosure requirement under Chapter 14A of the Listing Rules.

Annual General Meeting

The 2019 AGM of the Company is scheduled to be held on Wednesday, 12 June 2019. A notice convening the 2019 AGM will be issued and disseminated to the Shareholders in due course.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 6 June 2019 to Wednesday, 12 June 2019 (both days inclusive), during which no transfer of the Shares will be registered. In order to be eligible to attend and vote at the 2019 AGM, all transfer of the Shares accompanied by the relevant properly completed transfer forms and the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 5 June 2019.

Auditor

The financial statements for FY 2018 have been audited by Messrs. Ernst & Young, who will retire at the 2019 AGM and, being eligible, offer itself for re-appointment. A resolution for the reappointment of Messrs. Ernst & Young as auditor of the Company is to be proposed at the 2019 AGM.

On behalf of the Board

Chong Tin Lung, Benny
Chairman

Hong Kong, 29 March 2019

Independent Auditor's Report

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

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

Opinion

We have audited the consolidated financial statements of Newton Resources Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 165, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of iron-ore-mine-related non-current assets	
The non-current assets (including property, plant and equipment ("PPE"), intangible assets and prepaid land lease payments) related to the Yanjiazhuang iron ore mine (the "Yanjiazhuang Iron Ore Mine") constituted a significant portion of the Group's assets as at 31 December 2018. During the year, the Group has yet to resume the trial production of the iron concentrate business at the Yanjiazhuang Iron Ore Mine affected by the expiration of the mining permit of the Yanjiazhuang Iron Ore Mine (the "Mining Permit") in 2017 and the land expropriation disputes and disturbances around. The production suspension of the Yanjiazhuang Iron Ore Mine constituted an impairment indicator for the related non-current assets. The Group engaged an independent valuer and performed an impairment test on the relevant cash-generating unit (the "CGU") of the Yanjiazhuang Iron Ore Mine by comparing the present value of forecasted future cash flows with the carrying amount of the CGU as at 31 December 2018. Estimating the future cash flows requires critical management judgement including the estimation of future sales, gross margins, operating costs, growth rates, routine and replacement capital expenditures and the discount rate. Actual cash flows are likely to be different from those estimated or forecasted since anticipated events frequently do not occur as expected and unforeseen events may arise, and their impacts on estimates and forecasts may be material. The Group disclosed the accounting policies and details of impairment assessment of the non-current assets related to the Yanjiazhuang Iron Ore Mine in notes 2.4 Summary of significant accounting policies, 3.2(a) Impairment assessments of non-current assets and fair value measurement, 3.2(b) Mine reserves, 3.2(c) Useful lives of property, plant and equipment, 13 Property, plant and equipment, 14 Intangible assets and 15 Prepaid land lease payments to the consolidated financial statements.	We assessed the valuation model and tested the key assumptions used, such as the forecasted commodity price, production volume, production start date, unit cost and routine and replacement capital expenditures, by comparing them to the financial budget, analysis on the industry trend and the Group's development plan. We involved our internal valuation specialists to assist us in the valuation methodology and the discount rate assessment. We also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of gabbro-diabase-mine-related non-current assets	
The non-current assets (including PPE and intangible assets) related to the Yanjiazhuang gabbro-diabase mine (the "Yanjiazhuang Gabbro-Diabase Mine") constituted a significant portion of the Group's assets as at 31 December 2018. Since 2016, the gabbro-diabase and stone production has been suspended principally due to flood and landslides caused by heavy rain, and the production did not resume in 2018. Besides, the Mining Permit expired in 2017, and the renewal of the Mining Permit is still in progress. The production suspension of the Yanjiazhuang Gabbro-Diabase Mine constituted an impairment indicator for the related non-current assets. The Group engaged an independent valuer and performed an impairment test on the CGU of the Yanjiazhuang Gabbro-Diabase Mine by comparing the fair value less cost of disposal with the carrying amount of the CGU as at 31 December 2018. Estimating the recoverable amount requires critical management judgement including the estimation of replacement cost, physical deterioration, as well as applicable functional or economic obsolescence. The Group disclosed the accounting policies and details of impairment assessment of the non-current assets related to the Yanjiazhuang Gabbro-Diabase Mine in notes 2.4 Summary of significant accounting policies, 3.2(a) Impairment assessments of non-current assets and fair value measurement, 3.2(c) Useful lives of property, plant and equipment, 13 Property, plant and equipment and 14 Intangible assets to the consolidated financial statements.	We assessed the valuation model and tested the key assumptions used, such as the replacement cost, remaining useful life, residual value, physical deterioration, applicable functional or economic obsolescence, marketability, as well as cost to sell, by comparing them to the market data, historical cost and economic useful life. We involved our internal valuation specialists to assist us in the valuation methodology assessment. We also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

- 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.

Auditor's responsibilities for the audit of the consolidated financial statements

(Continued)

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Bennett S.H. Wai.

Ernst & Young
Certified Public Accountants
Hong Kong

29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
Continuing operations			
Revenue	5	**318,133**	646,492
Cost of sales		**(313,389)**	(644,567)
Gross profit		**4,744**	1,925
Other income and gains	5	**–**	4,653
Selling and distribution costs		**(928)**	(297)
Administrative expenses		**(30,255)**	(34,668)
Impairment losses on property, plant and equipment	13	**(59,083)**	–
Impairment losses on intangible assets	14	**(216)**	–
Impairment losses on prepaid land lease payments	15	**(296)**	–
Impairment losses on prepayments and other receivables	20	**(1,313)**	–
Other expenses		**(16,329)**	(7,673)
Finance expense, net	7	**(2,498)**	(9,705)
Share of losses of an associate	16	**(55)**	–
Loss before tax from continuing operations	6	**(106,229)**	(45,765)
Income tax expenses	9	**(54)**	(241)
Loss for the year from continuing operations		**(106,283)**	(46,006)
Discontinued operation			
Loss for the year from a discontinued operation	10	**(1,288)**	(1,437)
Loss for the year		**(107,571)**	(47,443)
Other comprehensive (loss)/income			
Exchange differences:			
Exchange differences on translation of foreign operations		**(38)**	7
Reclassification adjustments for a foreign operation disposed of during the year	27	**17**	–
Other comprehensive (loss)/income for the year, net of tax		**(21)**	7
Total comprehensive loss for the year		**(107,592)**	(47,436)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2018

	Notes	**2018 RMB'000**	2017 RMB'000 (Restated)
Loss for the year attributable to owners of the Company:			
– from continuing operations		**(105,386)**	(45,798)
– from a discontinued operation		**(620)**	(747)
		(106,006)	(46,545)
Loss for the year attributable to non-controlling interests:			
– from continuing operations		**(897)**	(208)
– from a discontinued operation		**(668)**	(690)
		(1,565)	(898)
Loss for the year		**(107,571)**	(47,443)
Total comprehensive loss attributable to:			
Owners of the Company		**(105,979)**	(46,570)
Non-controlling interests		**(1,613)**	(866)
		(107,592)	(47,436)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cents)			
– For loss for the year	12	**(2.65)**	(1.16)
– For loss from continuing operations	12	**(2.63)**	(1.14)

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	13	**203,536**	266,162
Intangible assets	14	**722**	938
Prepaid land lease payments	15	**942**	1,266
Investment in an associate	16	**1,445**	–
		206,645	268,366
Current assets			
Inventories	17	**2,844**	5,452
Trade and bills receivables	18	**–**	77,331
Other current financial assets at amortised cost	19	**58,955**	–
Prepayments and other receivables	20	**25,461**	49,910
Restricted bank balances	21	**219,050**	209,289
Cash and cash equivalents	21	**97,953**	164,309
		404,263	506,291
Current liabilities			
Trade and bills payables	22	**1,125**	79,074
Other current financial liabilities	19	**84,193**	–
Contract liabilities		**10,007**	–
Other payables and accruals		**8,138**	92,175
Interest-bearing bank borrowing	23	**219,050**	208,975
Income tax payables		**7,939**	7,875
		330,452	388,099
Net current assets		**73,811**	118,192
Total assets less current liabilities		**280,456**	386,558
Non-current liabilities			
Non-current financial liabilities	19	**500**	–
Long-term payable		**–**	500
		500	500
Net assets		**279,956**	386,058

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Equity			
Equity attributable to owners of the Company			
Share capital	24	**331,960**	331,960
Reserves	25	**(47,633)**	58,346
		284,327	390,306
Non-controlling interests		**(4,371)**	(4,248)
Total equity		**279,956**	386,058

Li Changfa
Director

Luk Yue Kan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Share capital RMB'000 note 24	Share premium account RMB'000	Capital reserves RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Attributable to owners of the Company							
At 1 January 2017	331,960	719,871	80,864	–	(695,819)	436,876	(3,382)	433,494
Loss for the year	–	–	–	–	(46,545)	(46,545)	(898)	(47,443)
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operations	–	–	–	(25)	–	(25)	32	7
Total comprehensive loss for the year	–	–	–	(25)	(46,545)	(46,570)	(866)	(47,436)
At 31 December 2017 and 1 January 2018	**331,960**	**719,871**	**80,864**	**(25)**	**(742,364)**	**390,306**	**(4,248)**	**386,058**
Loss for the year	**–**	**–**	**–**	**–**	**(106,006)**	**(106,006)**	**(1,565)**	**(107,571)**
Other comprehensive income/(loss) for the year:								
Exchange differences related to foreign operations	**–**	**–**	**–**	**27**	**–**	**27**	**(48)**	**(21)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**27**	**(106,006)**	**(105,979)**	**(1,613)**	**(107,592)**
Disposal of a subsidiary (note 27)	**–**	**–**	**–**	**–**	**–**	**–**	**1,490**	**1,490**
At 31 December 2018	**331,960**	**719,871***	**80,864***	**2***	**(848,370)***	**284,327**	**(4,371)**	**279,956**

* These reserve accounts comprise the deficiency in reserves of RMB47,633,000 (2017: consolidated reserves of RMB58,346,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
Cash flows from operating activities			
Loss before tax:			
From continuing operations		**(106,229)**	(45,765)
From a discontinued operation		**(1,288)**	(1,437)
Adjustments for:			
Depreciation of items of property, plant and equipment	13	**4,265**	4,761
Amortisation of prepaid land lease payments	6	**37**	41
Impairment losses on property, plant and equipment	13	**59,083**	–
Impairment losses on intangible assets	14	**216**	–
Impairment losses on prepaid land lease payments	15	**296**	–
Impairment losses on prepayments and other receivables	20	**1,313**	–
Write-down of inventories to net realisable value	6	**258**	1,888
Write-off of items of property, plant and equipment	6	**–**	470
Finance expense, net	7	**2,498**	9,706
Share of losses of an associate		**55**	–
Gain on disposal of a subsidiary	27	**(104)**	–
Cash flows before working capital changes		**(39,600)**	(30,336)
Decrease in inventories		**2,350**	1,853
Decrease/(increase) in trade and bills receivables		**77,287**	(39,000)
Increase in other current financial assets at amortised cost		**(48,472)**	–
Decrease/(increase) in prepayments and other receivables		**11,290**	(17,351)
Decrease in restricted bank deposits		**314**	1,152
(Decrease)/increase in trade and bills payables		**(77,949)**	76,392
Increase in other current financial liabilities		**13,183**	–
Decrease in contract liabilities		**(3,029)**	–
Increase in other payables and accruals		**1,209**	17,955
Cash (used in)/from operations		**(63,417)**	10,665
Interest received		**7,452**	6,042
Bank charges paid		**(261)**	(545)
Net cash flows (used in)/from operating activities		**(56,226)**	16,162
Cash flows from investing activities			
Purchase of items of property, plant and equipment		**(791)**	(15,144)
Investment in an associate		**(1,500)**	–
Disposal of a subsidiary	27	**(48)**	–
Net cash flows used in investing activities		**(2,339)**	(15,144)

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
Cash flows from financing activities			
Increase in restricted bank deposits		**–**	(208,975)
Interest paid		**(5,129)**	(4,499)
Net cash flows used in financing activities		**(5,129)**	(213,474)
Net decrease in cash and cash equivalents		**(63,694)**	(212,456)
Cash and cash equivalents at beginning of year		**164,309**	401,378
Effect of foreign exchange rate changes, net		**(2,662)**	(24,613)
Cash and cash equivalents at end of year		**97,953**	164,309
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**317,003**	373,598
Restricted bank balances	21	**(219,050)**	(209,289)
Cash and cash equivalents at end of year		**97,953**	164,309

1. Corporate and Group Information

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

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

During the year, the Group entered into an agreement for sale and purchase for the disposal of its entire interests in the car-park business for a total consideration of RMB152,000. The disposal has been completed in August 2018. Upon the completion of the disposal, the Group ceased and discontinued the car-park business (the "Discontinued Operation"). An analysis of the results and cash flows of the Discontinued Operation is presented in note 10 to the consolidated financial statements.

Information about subsidiaries

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company (%)		Principal activities
			Direct	Indirect	
Jet Bright Limited 仲耀有限公司	Hong Kong	Hong Kong Dollars ("HK$") 1,189	–	100	Investment holding
Lincheng Xingye Mineral Resources Co., Ltd. ("Xingye Mining") 臨城興業礦產資源有限公司*/***	Mainland China	United States Dollars ("US$") 50,000,000	–	99	Mining, processing and the sale of iron concentrates and gabbro-diabase and stone products
Ace Profit Investment Limited 向利投資有限公司	Hong Kong	HK$1	–	100	Commodity trading
Xingan League Newton Trading Company Limited 興安盟新礦貿易有限公司**/***	Mainland China	Renminbi ("RMB") 40,000,000	–	100	Commodity trading

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

** It is registered as a wholly-foreign-owned enterprise under PRC law.

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

1. Corporate and Group Information *(Continued)*

Information about subsidiaries *(Continued)*

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

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 Basis of Preparation *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS 1 and IAS 28*

2.2 Changes in Accounting Policies and Disclosures *(Continued)*

Other than as explained below regarding the impact of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*, the adoption of the above new and revised standards has had no significant financial effect on these financial statements. The nature and the impact of the new and revised IFRSs are described below:

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 5 to the consolidated financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the consolidated financial statements.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of equity as at 1 January 2018. The Group concluded that the transitional adjustment to be made on 1 January 2018 to accumulated losses upon initial adoption of IFRS 15 was nil. It is because the Group recognises revenue upon the transfer of significant risks and rewards, which coincides with the fulfilment of performance obligations. Additionally, the Group's contracts with customers generally have only one performance obligation. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

The impact on the Group's consolidated statement of financial position as at 1 January 2018:

	Under IAS 18	**Reclassifications**	**Under IFRS 15**
	RMB'000	RMB'000	RMB'000
Contract liabilities	–	13,036	13,036
Other payables and accruals	92,175	(13,036)	79,139

2.2 Changes in Accounting Policies and Disclosures *(Continued)*

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

The Group received short-term advances from customers. Prior to the adoption of IFRS 15, the Group recognised these advances as other payables and accruals in the consolidated statement of financial position. Upon the adoption of IFRS 15, the Group reclassified these advances to "contract liabilities".

The adoption of IFRS 15 does not impact the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows for the year ended 31 December 2017.

The Group principally derives revenue from the sale of iron ores, coals and other products. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services provided, stated net of discounts, returns and value-added taxes. The Group recognises revenue when the specific criteria have been met for the Group's activities, as described below.

The Group's contracts with customers for the sale of iron ores, coals and other products generally include one performance obligation. Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. Since the Group has sole discretion in determining the pricing, takes full responsibility of the goods sold or services provided to the customers, and also is responsible for the risk associated with the goods before change of control over the goods, and the customers' complaints and requests, the Group considers that it controls the specified goods or services before their delivery to its customers and is a principal in the transactions. Accordingly, the Group recognises revenues on the gross basis. Otherwise, the Group records the net amount earned as commission income from products sold or services provided.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of IFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated and continues to be reported under IAS 39.

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories.

2.2 Changes in Accounting Policies and Disclosures *(Continued)*

IFRS 9 ***Financial Instruments*** *(Continued)*

The following adjustments were made to the consolidated statement of financial position at the date of initial application, 1 January 2018. The effect of adopting IFRS 9 is as follows:

	Under IAS 39	**Reclassifications**	**Under IFRS 9**
	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost:			
Prepayments and other receivables	49,910	(11,814)	38,096
Other current financial assets at amortised cost	–	11,814	11,814
Financial liabilities at amortised cost:			
Other current financial liabilities	–	(71,583)	(71,583)
Contract liabilities	–	(13,036)	(13,036)
Other payables and accruals	(92,175)	84,619	(7,556)
Non-current financial liabilities	–	(500)	(500)
Long-term payable	(500)	500	–

The adoption of IFRS 9 does not impact the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows for the year ended 31 December 2017.

(a) Classification and measurement

Under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt instruments at amortised cost for financial assets that are held within a business model are with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely payments of principal and interest ("SPPI") criterion (solely payments of principal and interest on the principal amount outstanding). This category includes the Group's trade and bills receivables and other receivables included in current financial assets.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018. The assessment on whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the fact and circumstances as at the initial recognition of the assets.

2.2 Changes in Accounting Policies and Disclosures *(Continued)*

IFRS 9 *Financial Instruments* *(Continued)*

(a) Classification and measurement *(Continued)*

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and bills receivables, the Group has applied the standard's simplified approach in calculating ECLs. Under the simplified approach, the Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables included in current financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 has not resulted in any increases in impairment allowances of the Group's debt financial assets.

2.3 Issued but not yet Effective International Financial Reporting Standards

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

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*[1]
Conceptual Framework for Financial Reporting 2018	*Revised Conceptual Framework for Financial Reporting*[2]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the financial statements. Further details of the expected impacts are discussed below.

IFRS 16 replaces IAS 17 *Leases*, IFRIC-4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments.

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

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has short-term leases only and therefore has not recognised any corresponding adjustment to the opening balance of equity.

2.4 Summary of Significant Accounting Policies

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investments in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

2.4 Summary of Significant Accounting Policies *(Continued)*

Fair value measurement

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of impaired assets.

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 Summary of Significant Accounting Policies *(Continued)*

Related parties *(Continued)*

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

2.4 Summary of Significant Accounting Policies *(Continued)*

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Stripping costs

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

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Stripping costs *(Continued)*

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

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

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

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

Intangible assets

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Intangible assets *(Continued)*

Mining rights

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

Exploration rights and assets

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

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

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

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Leases

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

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

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are SPPI on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) *(Continued)*

Subsequent measurement

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

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) *(Continued)*

Subsequent measurement

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

Loans and receivables

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

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

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

- the rights to receive cash flows from the asset have expired; or

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

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) *(Continued)*

General approach *(Continued)*

Financial assets at amortised cost is subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade and bills receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

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

Financial assets carried at amortised cost

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

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

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

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and an interest-bearing bank borrowing.

Subsequent measurement

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

Loans and borrowings

After initial recognition, the Group's interest-bearing bank borrowing is subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case it is stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

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

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Provisions *(Continued)*

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

Income tax

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

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

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

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

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of iron ores, coals and stone products

Revenue from the sale of iron ores, coals and stone products are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of these products.

Car-parking fee

Revenue from the car-parking operation is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Revenue recognition (applicable before 1 January 2018)

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

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

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

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

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits

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

The employees of the Group’s subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 Summary of Significant Accounting Policies *(Continued)*

Foreign currencies

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

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

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

3. Significant Accounting Judgements and Estimates

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

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

3.1 Judgements

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

The Group, through Xingye Mining, owns and operates the Yanjiazhuang Mine in Hebei Province, the PRC. The Yanjiazhuang Mine is an open-pit iron ore and gabbro-diabase mine. However, the mining permit of the Yanjiazhuang Mine (the "Mining Permit") had expired in July 2017. In 2017, the application for the renewal of the Mining Permit (the "Renewal") had been made by the management of Xingye Mining, the registered holder of the Mining Permit, to the relevant government authorities in the PRC. Throughout the years ended 31 December 2017 and 2018, the management of Xingye Mining has been working closely with various PRC government authorities in respect of the Renewal. Despite the effort of Xingye Mining, the Renewal application has not been processed by the relevant government authority during the year ended 31 December 2018 and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. According to the local authority, Xingye Mining could re-submit the Renewal application once it has resolved and obtained certain requisite documents, including, among others, the adjustment to the mining area, the settlement of remaining outstanding resources fees, and certain documents and reports to support the Renewal application. The management of Xingye Mining has been working closely with the local authority to find a mutually agreeable solution to the adjustment to the mining area, including the proposal to narrow down the Yanjiazhuang Mine area (as aforesaid). The management of Xingye Mining has also commenced the preparation of the required reports with a view to pushing forward the Renewal application. The Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities. The Renewal is taken into account in the impairment assessments of the Group's non-current assets as discussed below and further detailed in note 13 to the consolidated financial statements.

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

3.1 Judgements *(Continued)*

(b) Production start date

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

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

When a mine development or construction project moves into the production stage, the capitalisation of certain mine development or construction costs ceases and costs are either regarded as forming part of the costs of inventories or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, mining infrastructure development or mineable reserve development. It is also at this point that depreciation or amortisation commences. The production start date is also taken into account in impairment assessments of the Group's non-current assets as discussed below and further detailed in note 13 to the consolidated financial statements.

(c) Stripping costs

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

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

3.1 Judgements *(Continued)*

(c) Stripping costs *(Continued)*

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

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

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

3.2 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below or in the related accounting policy notes. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Differences between actual and expected results may be material. Such changes are reflected in the assumptions when they occur.

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

3.2 Estimation uncertainty *(Continued)*

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

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

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

When the fair values of non-financial assets (the CGUs) need to be determined, e.g., for the purposes of calculating fair value less costs of disposal for impairment testing purposes, fair values are measured using valuation techniques including the analytical trending method and the observable market inputs from recognised sources or prices (or the replacement costs) of similar or comparable assets from a secondary market with adjustments for inflation (with reference to the relevant producer price index), useful life calculation, deterioration, obsolescence, marketability and other relevant factors. Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Further information on how fair value is determined by the Group is contained in note 13 to the consolidated financial statements. The net carrying amounts of the Group's property, plant and equipment, intangible assets and prepaid land lease payments as at 31 December 2018 were RMB203,536,000 (2017: RMB266,162,000), RMB722,000 (2017: RMB938,000) and RMB974,000 (2017: RMB1,307,000), respectively. Further details of these assets and related impairment assessment results are given in notes 13, 14, and 15 to the consolidated financial statements.

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

3.2 Estimation uncertainty *(Continued)*

(b) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals, taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in both depreciation and amortisation charges calculated on the UOP basis and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves (if any) are also taken into account in impairment assessments of the Group's non-current assets as detailed in note 13 to the consolidated financial statements.

(c) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record a reserve for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment as at 31 December 2018 was RMB203,536,000 (2017: RMB266,162,000) as detailed in note 13 to the consolidated financial statements.

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

3.2 Estimation uncertainty *(Continued)*

(d) Provision for expected credit losses on other current financial assets at amortised cost

For other current financial assets at amortised cost, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The net carrying amounts of other current financial assets at amortised cost as at 31 December 2018 was RMB58,955,000, details of which are included in note 19 to the consolidated financial statements.

(e) Net realisable value of inventories

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated cost to be incurred to complete the production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile and the estimated recovery percentage is based on the expected processing method. Stockpile tonnages are verified by periodic surveys. The carrying amount of inventories as at 31 December 2018 was RMB2,844,000 (2017: RMB5,452,000), details of which are included in note 17 to the consolidated financial statements.

4. Segment Information

Operating Segment Information

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

Iron Concentrate Business	–	mining, processing and the sale of iron concentrates
Gabbro-Diabase and Stone Business	–	mining, processing and the sale of gabbro-diabase and stone products
Trading Business	–	supply and trading of iron ores and coals

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

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

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

The Car-Park Business operation segment, located in Hong Kong, engaged in operating and managing car-parking spaces was disposed of in August 2018, details of which are given in notes 10 and 27 to the consolidated financial statements.

The segment information reported below does not include any amounts for this discontinued operation, which is described in more detail in note 10 to the consolidated financial statements, and the comparative figures in the segment information for the year ended 31 December 2017 have been represented.

4. Segment Information *(Continued)*

Operating Segment Information *(Continued)*

	Iron Concentrate Business RMB'000	Gabbro-Diabase and Stone Business RMB'000	Trading Business RMB'000	Total RMB'000
Year ended 31 December 2018				
Segment Revenue (note 5)				
Sales to external customers and revenue from continuing operations	–	5,741	312,392	318,133
Segment Results	(62,436)	(16,253)	1,451	(77,238)
Reconciliation:				
Interest income				6,740
Corporate and other unallocated expenses				(29,385)
Interest expenses				(6,346)
Loss before tax from continuing operations				(106,229)
Segment assets	208,066	5,743	58,429	272,238
Corporate and other unallocated assets				338,670
Total assets				610,908
Segment liabilities	15,555	67,435	9,661	92,651
Corporate and other unallocated liabilities				238,301
Total liabilities				330,952

4. Segment Information *(Continued)*

Operating Segment Information *(Continued)*

	Iron Concentrate Business RMB'000	Gabbro-Diabase and Stone Business RMB'000	Trading Business RMB'000	Segment Total RMB'000	Corporate RMB'000	Consolidated RMB'000
Year ended 31 December 2018						
Other segment information:						
(Reversal of write-down)/write-down of inventories to net realisable value	(15)	–	–	(15)	273	258
Impairment losses on property, plant and equipment	57,782	1,301	–	59,083	–	59,083
Impairment losses on intangible assets	216	–	–	216	–	216
Impairment losses on prepaid land lease payments	296	–	–	296	–	296
Impairment losses on prepayments and other receivables	418	615	–	1,033	280	1,313
Depreciation and amortisation	3,149	767	4	3,920	347	4,267
Investment in an associate	–	–	–	–	1,445	1,445
Share of losses of an associate	–	–	–	–	55	55
Capital expenditure from continuing operations	40	251	487	778	13	791

4. Segment Information *(Continued)*

Operating Segment Information *(Continued)*

	Iron Concentrate Business RMB'000	Gabbro-Diabase and Stone Business RMB'000	Trading Business RMB'000	Total RMB'000
Year ended 31 December 2017 (Restated)				
Segment Revenue				
Sales to external customers and revenue from continuing operations	–	1,762	644,730	646,492
Segment Results	6,140	(15,203)	1,341	(7,722)
Reconciliation:				
Interest income				6,244
Corporate and other unallocated expenses				(38,863)
Interest expenses				(5,424)
Loss before tax from continuing operations				(45,765)
Segment assets	270,700	11,660	94,496	376,856
Corporate and other unallocated assets				395,936
Assets related to a discontinued operation				1,865
Total assets				774,657
Segment liabilities	15,923	51,346	89,870	157,139
Corporate and other unallocated liabilities				228,266
Liabilities related to a discontinued operation				3,194
Total liabilities				388,599

4. Segment Information *(Continued)*

Operating Segment Information *(Continued)*

	Iron Concentrate Business RMB'000	Gabbro-Diabase and Stone Business RMB'000	Trading Business RMB'000	Segment Total RMB'000	Corporate RMB'000	Consolidated RMB'000
Year ended 31 December 2017 (Restated)						
Other segment information:						
Write-down of inventories to net realisable value	–	1,888	–	1,888	–	1,888
Write-off of items of property, plant and equipment	318	–	–	318	152	470
Depreciation and amortisation	3,566	768	–	4,334	416	4,750
Depreciation and amortisation related to a discontinued operation						52
						4,802
Capital expenditure from continuing operations	–	1,061	–	1,061	50	1,111
Capital expenditure related to a discontinued operation						26
						1,137

4. Segment Information *(Continued)*

Geographical Segment Information

(a) Revenue from external customers

	2018 RMB'000	2017 RMB'000 (Restated)
Hong Kong	**256,258**	437,438
Mainland China	**61,875**	79,225
North America	**–**	86,906
Asia	**–**	42,923
	318,133	646,492

(b) Non-current assets

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

Information about major customers

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

	2018 RMB'000	2017 RMB'000
Customer A	**153,693**	N/A[1]
Customer B	**54,032**	N/A[1]
Customer C	**41,571**	N/A[1]
Customer D	**N/A[1]**	178,967
Customer E	**N/A[1]**	86,906
Customer F	**N/A[1]**	79,712
Customer G	**N/A[1]**	79,655
Customer H	**N/A[1]**	77,463
Customer I	**N/A[1]**	67,733

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

1 The corresponding revenue did not contribute over 10% of the total sales of the Group.

5. Revenue and Other Income and Gains

An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Revenue from contracts with customers	318,133	–
Sale of goods	–	646,492
	318,133	646,492

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	Iron Concentrate Business RMB'000	Gabbro-Diabase and Stone Business RMB'000	Trading Business RMB'000	Total RMB'000
Type of goods				
Sale of iron ores	–	–	310,290	310,290
Sale of coals	–	–	2,102	2,102
Sale of stone products	–	5,741	–	5,741
Total revenue from contracts with customers	–	5,741	312,392	318,133
Geographical markets				
Hong Kong	–	–	256,258	256,258
Mainland China	–	5,741	56,134	61,875
Total revenue from contracts with customers	–	5,741	312,392	318,133
Timing of revenue recognition				
At a point in time	–	5,741	312,392	318,133

5. Revenue and Other Income and Gains *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information *(Continued)*

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

	Iron Concentrate Business RMB'000	Gabbro-Diabase and Stone Business RMB'000	Trading Business RMB'000	Total RMB'000
Year ended 31 December 2018				
Segment Revenue				
Sales to external customers and total revenue from contracts with customers	–	5,741	312,392	318,133

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of stone products	54

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of iron ores

The performance obligation is satisfied upon delivery of the iron ores. Trading terms with its customers generally require deposits or an usance letter of credit up to a tenor of 120 days within five days after the bill of lading date.

Sale of coals and stone products

The performance obligation is satisfied upon delivery of coals and stone products, and deposits are normally required before delivery.

5. Revenue and Other Income and Gains *(Continued)*

Other Income and Gains

	2018 RMB'000	2017 RMB'000
Gross rental income from the short-term leasing of movable equipment	**–**	1,709
Insurance compensation received	**–**	2,144
Others	**–**	800
	–	4,653

6. Loss Before Tax

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

	Notes	**2018 RMB'000**	2017 RMB'000 (Restated)
Cost of inventories sold		**313,389**	644,567
Depreciation of items of property, plant and equipment	13	**4,230**	4,709
Amortisation of prepaid land lease payments	15	**37**	41
Minimum lease payments under operating leases for office tenancy		**1,175**	1,112
Auditor's remuneration (including out-of-pocket expenses)		**2,158**	1,996
Write-off of items of property, plant and equipment	13	**–**	470
Write-down of inventories to net realisable value		**258**	1,888
Write-back of interest on construction sum payable arising from the litigation		**–**	(4,761)
Estimated possible payments on the outstanding gabbro-diabase resources fee payable		**15,680**	12,201
Employee benefit expense (excluding directors' remuneration (note 8)):			
– Wages, salaries and allowances		**8,555**	9,011
– Pension scheme contributions		**424**	302
Gross rental income from the short-term leasing of moveable equipment		**–**	(1,709)
Less: Direct operating expenses		**–**	388
Net rental income		**–**	(1,321)

7. Finance Expense

An analysis of the Group's net finance expense is as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Bank interest income	**6,740**	5,493
Interest income from trade and bills receivables	**–**	751
Interest on a bank borrowing	**(5,165)**	(3,951)
Interest on trade and bills payables	**–**	(549)
Other borrowing costs	**(1,181)**	(924)
Net foreign exchange losses	**(2,631)**	(9,980)
Bank charges	**(261)**	(545)
Finance expense, net	**(2,498)**	(9,705)

8. Emoluments of Directors and Senior Management

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

	2018 RMB'000	2017 RMB'000
Fees	**965**	1,118
Other emoluments:		
Salaries, allowances and benefits in kind	**4,331**	2,938
Discretionary bonuses	**671**	1,216
Pension scheme contributions	**24**	15
	5,026	4,169
Total	**5,991**	5,287

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

(a) Executive directors and non-executive directors

The remuneration paid to executive and non-executive directors during the years ended 31 December 2018 and 2017 were as follows:

2018	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Chong Tin Lung, Benny [(1)]	–	1,127	–	9	1,136
Mr. Li Changfa	–	1,560	260	–	1,820
Mr. Luk Yue Kan	–	1,644	411	15	2,070
	–	4,331	671	24	5,026
Non-executive directors:					
Dr. Cheng Kar Shun [(2)]	73	–	–	–	73
Mr. Wu Wai Leung, Danny	223	–	–	–	223
	296	–	–	–	296
Total	296	4,331	671	24	5,322

(1) Appointed on 9 April 2018
(2) Resigned on 9 April 2018

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

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

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

(1) Resigned on 9 April 2018
(2) Resigned on 23 January 2017

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

(b) Independent non-executive directors

The fees paid to independent non-executive directors during the years ended 31 December 2018 and 2017 were as follows:

	2018 RMB'000	2017 RMB'000
Mr. Tsui King Fai	**223**	208
Mr. Lee Kwan Hung	**223**	208
Mr. Shin Yick, Fabian	**223**	208
	669	624

(c) Five highest paid individuals

The five highest paid individuals during the year included three (2017: two) directors, details of whose remuneration are set out in note 8(a) above. Details of the remuneration for the year of the remaining two (2017: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**1,772**	2,264
Discretionary bonuses	**165**	150
Pension scheme contributions	**15**	16
	1,952	2,430

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

	Number of Individual(s)	
	2018	2017
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	2	3

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

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

During the year ended 31 December 2018, no emoluments were paid by the Group to any of the persons who are or were directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, as a director of any member of the Group or of any other office in connection with the management of affairs of any member of the Group.

(d) Emoluments of senior management

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

9. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The provision for the PRC corporate income tax ("CIT") is based on the CIT rate applicable to the entities located in or deemed to be operating in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2018 and 2017.

	2018 **RMB'000**	2017 RMB'000
Current – Hong Kong		
Charge for the year	**74**	241
Over-provision in prior year	**(74)**	–
Current – Mainland China	**54**	–
Total tax charge for the year from continuing operations	**54**	241

There is no tax charge from a discontinued operation for the years ended 31 December 2018 and 2017.

9. Income Tax *(Continued)*

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

	2018						2017 (Restated)					
	Hong Kong		**Mainland China**		**Total**		Hong Kong		Mainland China		Total	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	RMB'000	%	RMB'000	%	RMB'000	%
Loss before tax from continuing operations	**(16,750)**		**(89,479)**		**(106,229)**		(24,879)		(20,886)		(45,765)	
Loss before tax from a discontinued operation	**(1,288)**		**–**		**(1,288)**		(1,437)		–		(1,437)	
	(18,038)		**(89,479)**		**(107,517)**		(26,316)		(20,886)		(47,202)	
Tax at the statutory tax rate	**(2,976)**	**16.5**	**(22,370)**	**25.0**	**(25,346)**	**23.6**	(4,342)	16.5	(5,222)	25.0	(9,564)	20.3
Lower tax rate enacted by local authority	**(82)**	**0.4**	**–**	**–**	**(82)**	**0.1**	–	–	–	–	–	–
Adjustments in respect of current tax of previous periods	**(74)**	**0.4**	**–**	**–**	**(74)**	**0.1**	–	–	–	–	–	–
Income not subject to tax	**(394)**	**2.2**	**–**	**–**	**(394)**	**0.3**	(939)	3.6	–	–	(939)	2.0
Expenses not deductible for tax	**3,216**	**(17.8)**	**142**	**(0.2)**	**3,358**	**(3.1)**	5,284	(20.1)	(576)	2.7	4,708	(10.0)
Tax effect of unrecognised tax losses and deductible temporary differences	**85**	**(0.5)**	**18,351**	**(20.5)**	**18,436**	**(17.2)**	–	–	1,782	(8.5)	1,782	(3.8)
Tax losses not recognised	**225**	**(1.2)**	**3,931**	**(4.4)**	**4,156**	**(3.9)**	238	(0.9)	4,016	(19.2)	4,254	(9.0)
Tax charge at the Group's effective rate	**–**	**–**	**54**	**(0.1)**	**54**	**(0.1)**	241	(0.9)	–	–	241	(0.5)
Tax charge from continuing operations at the effective rate	**–**	**–**	**54**	**(0.1)**	**54**	**(0.1)**	241	(0.9)	–	–	241	(0.5)
Tax charge from a discontinued operation at the effective rate	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–

9. Income Tax *(Continued)*

The Group has no unrecognised tax loss from continuing operations arising from entities operating in Hong Kong in 2017 and 2018. The Group has unrecognised tax losses arising from entities operating in Mainland China of RMB145,573,000 (2017: RMB158,815,000) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as it is considered not probable that sufficient taxable profits will be available against which the unused tax losses can be utilised by the Group.

10. Discontinued Operation

Upon the completion of the disposal of the Car-Park Business during the year ended 31 December 2018, the Group ceased and discontinued the business of the operation and management of car-parking spaces.

The results of the Discontinued Operation for the respective years are presented below:

	Note	**2018** **RMB'000**	2017 RMB'000
Revenue		**1,562**	2,398
Cost of sales		**(1,849)**	(2,923)
Administrative expenses		**(544)**	(911)
Other expenses		**(560)**	–
Gain on disposal of a subsidiary	27	**104**	–
Finance expense, net		**(1)**	(1)
Loss before tax from the Discontinued Operation		**(1,288)**	(1,437)
Income tax expense		**–**	–
Loss for the year from the Discontinued Operation		**(1,288)**	(1,437)

Loss for the year from the Discontinued Operation is arrived at after charging/(crediting):

	Notes	**2018** **RMB'000**	2017 RMB'000
Cost of services provided		**1,849**	2,923
Depreciation of items of property, plant and equipment	13	**35**	52
Minimum lease payments under operating leases for a car-park		**1,557**	2,471
Auditor's remuneration (including out-of-pocket expenses)		**–**	18
Employee benefit expense			
– Wages, salaries and allowances		**666**	1,039
– Pension scheme contributions		**7**	11
Gain on disposal of a subsidiary	27	**(104)**	–

10. Discontinued Operation *(Continued)*

The net cash flows incurred by the Discontinued Operation are as follows:

	2018 RMB'000	2017 RMB'000
Operating activities	**(2,827)**	(499)
Investing activities	**–**	(26)
Effect of foreign exchange rate changes, net	**(102)**	75
Net cash outflows	**(2,929)**	(450)
Loss per share from the Discontinued Operation:		
Basic and diluted (RMB cents)	**0.02**	0.02

The calculation of basic loss per share from the Discontinued Operation is based on:

	2018 RMB'000	2017 RMB'000
Loss		
Loss attributable to owners of the Company from the Discontinued Operation, used in the basic loss per share calculation	**620**	747
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation (note 12)	**4,000,000**	4,000,000

Diluted loss per share was the same as the basic loss per share as the Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

11. Dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2018 (2017: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 4,000,000,000 in issue during the years ended 31 December 2018 and 2017.

The calculation of basic loss per share is based on:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation		
From continuing operations	**105,386**	45,798
From a discontinued operation	**620**	747
	106,006	46,545
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**4,000,000**	4,000,000

Diluted loss per share was the same as the basic loss per share as the Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

13. Property, Plant and Equipment

	Buildings RMB'000	Motor vehicles, fixtures and others RMB'000	Machinery RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2017	62,239	6,098	104,381	164,541	402,783	740,042
Additions	–	76	15	658	388	1,137
Write-off	–	–	–	–	(470)	(470)
Exchange realignment	–	(13)	–	–	–	(13)
At 31 December 2017 and 1 January 2018	**62,239**	**6,161**	**104,396**	**165,199**	**402,701**	**740,696**
Additions	**–**	**493**	**7**	**–**	**291**	**791**
Disposal of a subsidiary (note 27)	**–**	**(165)**	**–**	**–**	**–**	**(165)**
Write-off	**–**	**(722)**	**–**	**–**	**–**	**(722)**
Exchange realignment	**–**	**6**	**–**	**–**	**–**	**6**
At 31 December 2018	**62,239**	**5,773**	**104,403**	**165,199**	**402,992**	**740,606**
Accumulated depreciation and impairment:						
At 1 January 2017	(41,098)	(4,151)	(75,077)	(98,569)	(250,880)	(469,775)
Provided for the year	(1,210)	(602)	(2,949)	–	–	(4,761)
Exchange realignment	–	2	–	–	–	2
At 31 December 2017 and 1 January 2018	**(42,308)**	**(4,751)**	**(78,026)**	**(98,569)**	**(250,880)**	**(474,534)**
Provided for the year	**(1,074)**	**(459)**	**(2,732)**	**–**	**–**	**(4,265)**
Impairment recognised during the year	**(4,446)**	**(10)**	**(4,708)**	**(15,837)**	**(34,082)**	**(59,083)**
Disposal of a subsidiary (note 27)	**–**	**93**	**–**	**–**	**–**	**93**
Write-off	**–**	**722**	**–**	**–**	**–**	**722**
Exchange realignment	**–**	**(3)**	**–**	**–**	**–**	**(3)**
At 31 December 2018	**(47,828)**	**(4,408)**	**(85,466)**	**(114,406)**	**(284,962)**	**(537,070)**
Net carrying amount:						
At 31 December 2018	**14,411**	**1,365**	**18,937**	**50,793**	**118,030**	**203,536**
At 31 December 2017	19,931	1,410	26,370	66,630	151,821	266,162

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

Impairment assessment in 2018

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

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

Iron concentrate CGU:

During the year ended 31 December 2018, the Group has yet to resume the trial production of the Iron Concentrate Business at the Yanjiazhuang Mine as affected by the expiration of the Mining Permit in July 2017 and the land expropriation disputes and disturbances around.

Throughout the year ended 31 December 2018, the management of Xingye Mining has been working closely with various PRC government authorities in respect of the Renewal of the Mining Permit. One of the proposals is to adjust and narrow down the Yanjiazhuang Mine area so as to preserve the natural reserves area in the region and to positively respond to the PRC government's direction and development of ecology and environmental policies, while this may also help Xingye Mining to reduce its remaining resources fee payable in relation to gabbro-diabase. Such proposal together with the government's domestic development plan triggered the forestry ecology planning covering the Yanjiazhuang Mine area (the "Land Use Adjustment"), which becomes one of the steps for the Renewal. The management of Xingye Mining has been in regular contact with the relevant government authorities so as to give impetus to the assessment and adjustment process regarding the Land Use Adjustment. The Group is still waiting for confirmation and approval on the Land Use Adjustment which is being liaised among various government authorities. Despite the effort of Xingye Mining, the Renewal application has not been processed by the relevant government authority during the year ended 31 December 2018 and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. According to the local authority, Xingye Mining could re-submit the Renewal application once it has resolved and obtained certain requisite documents, including, among others, the adjustment to the mining area, the settlement of remaining outstanding resources fees, and certain documents and reports to support the Renewal application. The management of Xingye Mining has been working closely with the local authority to find a mutually agreeable solution to the adjustment to the mining area, including the proposal to narrow down the Yanjiazhuang Mine area (as aforesaid). The management of Xingye Mining has also commenced the preparation of the required reports with a view to pushing forward the Renewal application. The Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities as at the date of this report.

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

Impairment assessment in 2018 *(Continued)*

Iron concentrate CGU: *(Continued)*

Attributed to the additional time that may be required to obtain the approval for the Renewal of the Mining Permit, the Group's original target to resume the trial production of the Iron Concentrate Business at the Yanjiazhuang Mine would possibly be further postponed. Taking into consideration the increase in uncertainty in connection with the Renewal, the aforesaid possible delay in production, the business nature and prospect of Xingye Mining, the risk premium, and therefore, the discount rate applied to the December 2018 Assessment (as defined below) have been increased. In view of these, management has performed an impairment assessment on the carrying amounts of the Group's property, plant and equipment, intangible assets and prepaid land lease payments of the iron concentrate CGU at 31 December 2018 (the "December 2018 Assessment").

In assessing whether impairment is required, the carrying value of the assets of the iron concentrate CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use ("VIU"). The recoverable amount of the iron concentrate CGU was estimated based on its VIU as determined by discounting the future cash flows to be generated from the continuing use of this CGU, rather than its fair value less costs of disposal which could not capture its future earning potential, and with reference to the valuation report issued by an independent professionally qualified valuer. There was no change in the valuation method adopted for the December 2018 Assessment as compared with that for the year ended 31 December 2017 (the "2017 Assessment"). The recoverable amount of the iron concentrate CGU was determined based on a VIU calculation using cash flow projections according to financial budgets covering the six-year period approved by the management of Xingye Mining with a pre-tax discount rate of approximately 22.65% (2017 Assessment: approximately 22%). For both the December 2018 Assessment and 2017 Assessment, the CGU cash flows beyond the six-year period are extrapolated using a 2% growth rate, which was the expected inflation rate, until the depletion of estimated proved and probable ore reserves. Other key assumptions used in the estimation of VIU for the iron concentrate CGU are summarised as follows:

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

Impairment assessment in 2018 *(Continued)*

Iron concentrate CGU: *(Continued)*

Recoverable reserves – Economic recoverable reserves represent Xingye Mining management's expectations at the time of impairment testing, which comprise estimated proved and probable ore reserves of approximately 260 Mt (2017 Assessment: approximately 260 Mt) based on an independent technical report of the Yanjiazhuang Mine dated 21 June 2011 (the "ITR"). However, the Mining Permit had expired in July 2017. In 2017, the application for the Renewal had been made by the management of Xingye Mining, the registered holder of the Mining Permit, to the relevant government authorities in the PRC. Throughout the years ended 31 December 2017 and 2018, the management of Xingye Mining has been working closely with various PRC government authorities in respect of the Renewal. Despite the effort of Xingye Mining, the Renewal application has not been processed by the relevant government authority during the year ended 31 December 2018 and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. According to the local authority, Xingye Mining could re-submit the Renewal application once it has resolved and obtained certain requisite documents, including, among others, the adjustment to the mining area, the settlement of remaining outstanding resources fees, and certain documents and reports to support the Renewal application. The management of Xingye Mining has been working closely with the local authority to find a mutually agreeable solution to the adjustment to the mining area, including the proposal to narrow down the Yanjiazhuang Mine area (as aforesaid). The management of Xingye Mining has also commenced the preparation of the required reports with a view to pushing forward the Renewal application. The Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities. Therefore, the estimated cash flow projections have been extended to future periods until the depletion of estimated proved and probable ore reserves.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins of the first six-year period in the range of 25% to 30% for both the December 2018 Assessment and 2017 Assessment are based on the industry average gross margin achieved, adjusted for Xingye Mining management's expectations for possible changes in the production costs and estimated market prices. The budgeted gross margins beyond the first six-year period are based on the estimated long term sales price of iron concentrates as reference to the relevant market and/or analyst researches of approximately RMB710 per tonne (2017 Assessment: approximately RMB630 per tonne) and unit production cost of about 53% (2017 Assessment: about 57%) of sales according to the ITR recommendation with inflation adjustment. These market inputs have been changed as there were changes in market expectations and conditions from time to time. In addition to the above, in order to foster the local villagers to resolve the local matters in an agreeable manner, the management of Xingye Mining devised a preliminary proposal that, by allowing the local villagers to participate in Xingye Mining's mining operations at the Yanjiazhuang Mine, the local villagers could be awarded based on the sales performance of the Iron Concentrate Business (when resumed). Such award sharing proposal, when crystallised, represents the additional costs to the Yanjiazhuang Mine and inevitably leads to the possible reduction in the profitability of the iron concentrate CGU in the long run. Such proposal is, however, still subject to more negotiations with the local village representatives as well as the local authorities, finalisation and also to the Renewal. The award to the local villagers was included in the impairment testing as additional costs for both the December 2018 Assessment and 2017 Assessment.

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

Impairment assessment in 2018 *(Continued)*

Iron concentrate CGU: *(Continued)*

Production volumes and production start date – Estimated production volumes of the first six-year period of approximately 2.6 Mt (2017 Assessment: approximately 2.6 Mt), in aggregate, and the estimated production start date has been delayed based on the detailed mine plans and take into account the latest assessment of the additional time that may be required to obtain the approval for the Land Use Adjustment and the Renewal, and development plans of the Yanjiazhuang Mine agreed by the management of Xingye Mining. The production volumes beyond the aforesaid period largely follow the ITR.

Capital expenditures – Estimated routine and replacement capital expenditures, including the remaining capital expenditures for phase two and phase three of the Company's three-phase expansion plan in respect of the Yanjiazhuang Mine and the fees of mining rights, have been estimated based on Xingye Mining management's expectations for the development plan of the Yanjiazhuang Mine and taken into account the newly-issued rules concerning fees of mining rights that could apply to the renewed mining rights in future.

Discount rate – The discount rate used is pre-tax and reflects specific risks associated with the Group and/or its business and takes into account the industry's capital structure and applicable market borrowing costs at the time of the impairment test. The applicable discount rate increased to approximately 22.65% for the December 2018 Assessment (2017 Assessment: approximately 22%) so as to reflect the increase in uncertainty in connection with the Renewal and the aforesaid possible delay in production, the business nature and prospect of Xingye Mining.

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

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

Impairment assessment in 2018 *(Continued)*

Gabbro-diabase and stone CGU:

For the Gabbro-Diabase and Stone Business of the Group, Xingye Mining received a notice from the local environmental protection authority (the "EPA") that it was required to carry out the environmental protection measures of the production facilities for highway crushed stone and railway ballast at the Yanjiazhuang Mine (the "Environmental Upgrade") in 2016. However, the inclement weather which took place in Hebei Province, the PRC in late July 2016 (the "Disaster") brings new demands from the local villagers to Xingye Mining. As a result, the originally planned Environmental Upgrade has to be postponed. In July 2017, the Mining Permit had expired. In 2017, the application for the Renewal had been made by the management of Xingye Mining, the registered holder of the Mining Permit, to the relevant government authorities in the PRC. Despite the effort of Xingye Mining, the Renewal application has not been processed by the relevant government authority during the year ended 31 December 2018 and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. According to the local authority, Xingye Mining could re-submit the Renewal application once it has resolved and obtained certain requisite documents, including, among others, the adjustment to the mining area, the settlement of remaining outstanding resources fees, and certain documents and reports to support the Renewal application. The management of Xingye Mining has been working closely with the local authority to finding a mutually agreeable solution to the adjustment to the mining area, including the proposal to narrow down the Yanjiazhuang Mine area (as aforesaid). The management of Xingye Mining has also commenced the preparation of the required reports with a view to pushing forward the Renewal application. The Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities as at the date of this report. Since late 2017, Xingye Mining has been pushing forward the remaining outstanding works on the Environmental Upgrade with an aim to meet the requirements for the Environmental Upgrade and be accepted by the EPA. However, further construction and remedial works shall be required before the environmental protection requirement could be attended. Xingye Mining has arranged its staff members to attend to these follow-up works so as to attain the required standards for satisfactory completion of the Environmental Upgrade. The management of Xingye Mining has also been actively addressing the demands in relation to the Disaster during the year ended 31 December 2018. It is believed that, having satisfied these local demands, the village representatives will focus on the negotiation with the Group with a view to achieve consensus and swift settlement of the disputes and other issues surrounding the Yanjiazhuang Mine.

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

Impairment assessment in 2018 *(Continued)*

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

Having regard to the suspension of production pending for the Environmental Upgrade and the expiration of the Mining Permit, management has performed an impairment assessment on the carrying amounts of the Group's property, plant and equipment and intangible assets of the gabbro-diabase and stone CGU at 31 December 2018.

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

Fair values are measured using valuation techniques including the analytical trending method and the analysis of observable market inputs from recognised sources or prices (or the replacement costs) of similar or comparable assets from a secondary market with adjustments for inflation (with reference to the relevant producer price index), useful life calculation, deterioration, obsolescence, marketability and other relevant factors. Fair value represents the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement of the gabbro-diabase and stone CGU was categorised under the level 3 fair value hierarchy. The significant unobservable inputs used to determine the fair value for the year ended 31 December 2018 were (i) the marketability, (ii) the useful life calculation and (iii) the residual value.

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

Impairment assessment in 2018 *(Continued)*

Summary of impairment assessment

Based on the above-mentioned impairment assessments, the recoverable amounts, carrying amounts and impairment provision of the iron concentrate CGU and the gabbro-diabase and stone CGU as at 31 December 2018 are as follows:

	Recoverable amounts RMB'000	**Carrying amounts after impairment** RMB'000	**Impairment provision** RMB'000
Iron concentrate CGU			
– 2018	**197,000**	**193,679**	**58,294***
– 2017	260,000	255,073	–
Gabbro-diabase and stone CGU			
– 2018	**4,664**	**4,074**	**1,301****
– 2017	6,440	5,890	–

* The above impairment provision has been made during the year with reference to the then prevailing recoverable amounts estimated by a valuation report issued by an independent professionally qualified valuer as of 30 June 2018. The re-assessment of the recoverable amounts as at 31 December 2018 with the value indicated above has no material adjustment to the Group's provision made during the year.

** Since the recoverable amounts of certain assets in the gabbro-diabase and stone CGU are approximate to its carrying amounts as at 31 December 2018, no write-back of impairment provision was made for these assets during the year ended 31 December 2018.

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

Impairment assessment in 2018 *(Continued)*

Summary of impairment assessment *(Continued)*

The impairment assessments for the iron concentrate CGU and gabbro-diabase and stone CGU as at 31 December 2018 resulted in impairment losses on the following assets:

Impairment losses recognised on property, plant and equipment

Impairment losses of RMB59,083,000 was recognised during the year ended 31 December 2018 to write down the carrying amounts of the property, plant and equipment of the iron concentrate CGU and gabbro-diabase and stone CGU to their recoverable amounts of RMB191,983,000 and RMB4,074,000 respectively as at 31 December 2018.

Impairment losses recognised on intangible assets

Impairment losses of RMB216,000 (note 14) was recognised during the year ended 31 December 2018 to write down the carrying amounts of the intangible assets of the iron concentrate CGU to its recoverable amounts of RMB722,000 as at 31 December 2018.

Impairment losses recognised on prepaid land lease payments

Impairment losses of RMB296,000 (note 15) was recognised during the year ended 31 December 2018 to write down the carrying amount of the prepaid land lease payments of the iron concentrate CGU to its recoverable amount of RMB974,000 as at 31 December 2018.

14. Intangible Assets

The Group's intangible assets represent the Mining Permit of the Yanjiazhuang Mine located in Lincheng County, Hebei Province, the PRC. The Mining Permit had expired on 26 July 2017. The application for the Renewal had been made by the management of Xingye Mining, the registered holder of the Mining Permit, to the relevant government authorities in the PRC. Despite the effort of Xingye Mining, the Renewal application has not been processed by the relevant government authority during the year ended 31 December 2018 and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. According to the local authority, Xingye Mining could re-submit the Renewal application once it has resolved and obtained certain requisite documents, including, among others, the adjustment to the mining area, the settlement of remaining outstanding resources fees, and certain documents and reports to support the Renewal application. The management of Xingye Mining has been working closely with the local authority to finding a mutually agreeable solution to the adjustment to the mining area, including the proposal to narrow down the Yanjiazhuang Mine area (as aforesaid). The management of Xingye Mining has also commenced the preparation of the required reports with a view to pushing forward the Renewal application. The Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities.

14. Intangible Assets *(Continued)*

	Note	2018 RMB'000	2017 RMB'000
Cost:			
At beginning of the year and end of the year		**50,088**	50,088
Accumulated amortisation and impairment:			
At beginning of the year		**(49,150)**	(49,150)
Impairment recognised for the year	13	**(216)**	–
At end of the year		**(49,366)**	(49,150)
Net carrying amount:			
At end of the year		**722**	938

During the year ended 31 December 2018, the impairment provision of RMB216,000 was made for the intangible assets of the iron concentrate CGU (2017: Nil) and details of these assessments are included in note 13 to the consolidated financial statements.

15. Prepaid Land Lease Payments

	Notes	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January		**1,307**	1,348
Amortised during the year	6	**(37)**	(41)
Impairment recognised for the year	13	**(296)**	–
Carrying amount at 31 December		**974**	1,307
Current portion included in prepayments and other receivables	20	**(32)**	(41)
Non-current portion		**942**	1,266

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

During the year ended 31 December 2018, the impairment provision of RMB296,000 (2017: Nil) was made for the prepaid land lease payments and details of these assessments are included in note 13 to the consolidated financial statements.

16. Investment in an Associate

	2018 RMB'000	2017 RMB'000
Share of net assets	**1,445**	–

Particulars of the associate are as follows:

Name	Registered share capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group (%)	Principal activities
Inner Mongolia Nuogenxili Ecological Environment Co., Ltd.* 內蒙古諾根希里生態環境治理有限責任公司	RMB10,000,000	Mainland China	15	Environmental restoration and ecological greening

* for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.

The Group's shareholding in the associate is held through a wholly-owned subsidiary of the Company. The Group nominates one director out of seven in the board of directors of the associate.

17. Inventories

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

	2018 RMB'000	2017 RMB'000
Raw material and spare parts	**3,652**	3,623
Semi-finished products	**3,696**	3,751
Finished products – gabbro-diabase and stone	**3,988**	7,837
Coals	**593**	–
	11,929	15,211
Inventory provision	**(9,085)**	(9,759)
	2,844	5,452

18. Trade and Bills Receivables

	2018 RMB'000	2017 RMB'000
Trade receivables	–	4,425
Bills receivable	–	73,219
	–	77,644
Less: Impairment	–	(313)
Total	–	77,331

The Group's trading terms with its customers generally require deposits or an usance letter of credit up to a tenor of 120 days within five days after the bill of lading date, except for creditworthy customers to whom credits are granted. The credit periods generally range from seven days to four months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Group has not held any collateral or other credit enhancements over its trade receivable balances.

As at 31 December 2017, apart from the bills receivable of RMB72,675,000 which bear interest at 3% per annum, the trade and bills receivables are non-interest-bearing.

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

	2018 RMB'000	2017 RMB'000
Within 1 month	–	8
1 to 3 months	–	77,323
Total	–	77,331

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

19. Financial Assets and Financial Liabilities

Set out below is an overview of financial assets, other than cash and bank balances, held by the Group as at 31 December 2018 and 31 December 2017.

	Note	**2018 RMB'000**	2017 RMB'000
Financial assets at amortised cost:			
Trade and bills receivables	18	**–**	77,331
Other current financial assets at amortised cost (Note (a))		**58,955**	–
Financial assets included in prepayments, deposits and other receivables (Note (a))		**–**	11,814
Total		**58,955**	89,145

Note (a):

As at 31 December 2018, the balance mainly represented trade deposit to a supplier of RMB50,000,000. As at 31 December 2017, the Group's financial assets of RMB11,814,000 were included in "Prepayments, deposits and other receivables" at that date, which have been reclassified as "Other current financial assets at amortised cost" on 1 January 2018 upon adoption of IFRS 9. Further details of the impact of new accounting standards adopted by the Group are set out in note 2.2 to the consolidated financial statements.

Set out below is an overview of financial liabilities of the Group as at 31 December 2018 and 2017.

	Notes	**2018 RMB'000**	2017 RMB'000
Financial liabilities at amortised cost:			
Trade and bills payables	22	**1,125**	79,074
Other current financial liabilities (Notes (b) and (c))		**84,193**	–
Financial liabilities included in other payables and accruals (Notes (b) and (c))		**–**	71,583
Interest-bearing bank borrowing	23	**219,050**	208,975
Non-current financial liabilities (Note (c))		**500**	–
Long-term payable (Note (c))		**–**	500
Total		**304,868**	360,132

19. Financial Assets and Financial Liabilities *(Continued)*

Note (b):

As at 31 December 2018, included in the balance of other current financial liabilities were the gabbro-diabase resources fee payable and accrual for the estimated possible payments accrued thereon of RMB21,480,000 and RMB36,616,000 respectively. In respect of the Mining Permit for gabbro-diabase at the Yanjiazhuang Mine, the remaining three instalments of the resources fee payable, together with the associated cost of funds, were due for settlement, but remained unpaid up to date. In view of the tightening environmental protection measures and unfavourable economic and market outlook, the management of Xingye Mining has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms. However, the negotiations have yet to turn into any attainment.

Note (c):

As at 31 December 2017, the Group's financial liabilities included in "other payables and accruals" and "long-term payable" at that date have been reclassified as "Other current financial liabilities" and "Non-current financial liabilities" respectively on 1 January 2018 upon adoption of IFRS 9. Further details of the impact of new accounting standards adopted by the Group are set out in note 2.2 to the consolidated financial statements.

20. Prepayments and Other Receivables

	2018 **RMB'000**	2017 RMB'000
Advances to suppliers	**27,596**	38,342
Other tax receivables	**12,133**	12,700
Deposits	**–**	8,032
Bank interest receivables	**–**	791
Prepaid land lease payments, current portion (note 15)	**32**	41
Others	**–**	2,991
	39,761	62,897
Impairment of prepayments and other receivables	**(14,300)**	(12,987)
	25,461	49,910

The above impairment of prepayments and other receivables represented a full provision for certain individually impaired prepayments and other receivables as at 31 December 2018 and 2017.

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

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

21. Cash and Bank Balances

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**16,875**	13,914
Time deposits	**300,128**	359,684
	317,003	373,598
Less: Restricted bank balances	**–**	(314)
Restricted time deposits for an interest-bearing bank borrowing	**(219,050)**	(208,975)
Cash and cash equivalents	**97,953**	164,309

The Group's cash and bank balances and cash and cash equivalents are denominated in the following currencies as at 31 December 2018 and 2017:

	2018 RMB'000	2017 RMB'000
Cash and bank balances denominated in:		
RMB	**66,555**	5,660
HK$	**223,287**	217,071
US$	**27,161**	150,867
	317,003	373,598
Cash and cash equivalents denominated in:		
RMB	**66,555**	5,346
HK$	**4,237**	8,096
US$	**27,161**	150,867
	97,953	164,309

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

21. Cash and Bank Balances *(Continued)*

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

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

22. Trade and Bills Payables

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

	2018 **RMB'000**	2017 RMB'000
Within 3 months	**322**	77,164
Over 1 year	**803**	1,910
	1,125	79,074

The Group's trade and bills payables are non-interest-bearing as at 31 December 2018 (2017: apart from the bills payable of RMB72,516,000 which bear interest at 3% per annum, the remaining trade and bills payables are non-interest-bearing).

As of 31 December 2017, included in the trade and bills payables was a trade payable of RMB4,103,000 due to an indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company which is repayable within 90 days, representing credit terms similar to those offered by the indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company to their major customers.

23. Interest-Bearing Bank Borrowing

	2018		2017	
	Effective interest rate (%)	**RMB'000**	Effective interest rate (%)	RMB'000
Current				
Bank borrowing secured and repayable on demand	**3.30**	**219,050**	2.21	208,975

As at 31 December 2018, the Group had a HKD-denominated secured bank borrowing amounting to HK$250.0 million (equivalent to approximately RMB219.1 million) (2017: HK$250.0 million (equivalent to approximately RMB209.0 million)).

As at 31 December 2018 and 2017, the Group's bank borrowing was secured by time deposits of HK$250.0 million, in aggregate, (equivalent to approximately RMB219.1 million and RMB209.0 million as at 31 December 2018 and 2017, respectively) and carried interest at a floating rate. The maturity of the Group's bank borrowing was subject to the bank's overriding right of repayment on demand.

24. Share Capital

Shares

	2018 HK$'000	2017 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
	RMB'000	RMB'000
Issued and fully paid:		
4,000,000,000 ordinary shares of HK$0.1 each, totally HK$400,000,000	**331,960**	331,960

25. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 80 of the consolidated financial statements.

26. Share Option Scheme

2010 share option scheme

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

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

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

26. Share Option Scheme *(Continued)*

2010 share option scheme *(Continued)*

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

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

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

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

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

27. Disposal of a Subsidiary

	Notes	2018 RMB'000	2017 RMB'000
Net assets disposed of:			
Property, plant and equipment	13	**72**	–
Trade receivables		**44**	–
Other current financial assets at amortised cost		**619**	–
Prepayments and other receivables		**23**	–
Cash and cash equivalents		**200**	–
Other current financial liabilities		**(1,790)**	–
Other payables and accruals		**(627)**	–
Non-controlling interests		**1,490**	–
		31	–
Exchange fluctuation reserve		**17**	–
		48	–
Gain on disposal of a subsidiary	10	**104**	–
		152	–
Satisfied by:			
Cash		**152**	–

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2018 RMB'000	2017 RMB'000
Cash consideration	**152**	–
Cash and bank balances disposed of	**(200)**	–
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**(48)**	–

28. Note to the Consolidated Statement of Cash Flows

Changes in liabilities arising from financing activities

	Interest-bearing bank borrowing RMB'000
At 1 January 2017	223,625
Foreign exchange movement	(14,650)
At 31 December 2017 and at 1 January 2018	**208,975**
Foreign exchange movement	**10,075**
At 31 December 2018	**219,050**

29. Operating Lease Arrangements

As lessee

The Group leases certain of its office premises under operating lease arrangements, with leases negotiated for a terms of one year, at which time all terms will be renegotiated upon expiry.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**72**	3,381
In the second to fifth years, inclusive	**–**	2,189
	72	5,570

30. Commitments

In addition to the operating lease commitments detailed in note 29 above, the Group had the following capital commitments at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	**38,595**	38,595
– Capital contributions to an associate upon its establishment	**–**	1,500
	38,595	40,095

31. Related Party Transactions

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

(a) Related party transactions

	2018 RMB'000	2017 RMB'000
Continuing operations		
Purchases of iron ores from an indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company (Note)	**210,409**	287,353
Leasing of office premises from a subsidiary of a substantial shareholder of the Company	**977**	915
Information technology management and support service fees paid to a subsidiary of a substantial shareholder of the Company	**186**	192
Interest paid to an indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company for credit terms granted on iron ore purchases	**–**	549
Discontinued operation		
Administrative and services support from a subsidiary of a substantial shareholder of the Company	**589**	934

31. Related Party Transactions *(Continued)*

(a) Related party transactions *(Continued)*

Note:

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

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

(b) Outstanding balances with related parties

(i) As of 31 December 2017, the Group had outstanding balances due to subsidiaries of a substantial shareholder of the Company of RMB3,190,000. These balances were unsecured, interest-free and had no fixed terms of repayment. Except as disclosed elsewhere in these financial statements, there were no material balances with related parties as at 31 December 2018.

(ii) Details of the Group's trade payable with an indirect wholly-owned subsidiary of a 30%-controlled company of a substantial shareholder of the Company as at 31 December 2017 are disclosed in note 22 to the consolidated financial statements.

(c) Compensation of key management personnel

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

(d) The Group disposed of its entire interests in a subsidiary to a subsidiary of a substantial shareholder of the Company (which is also the non-controlling shareholder of that subsidiary) during the year, as further detailed in notes 1, 10 and 27 to the consolidated financial statements.

32. Financial Instruments by Category

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

2018:

	RMB'000
Financial assets at amortised cost:	
Other current financial assets at amortised cost	**58,955**
Restricted bank balances	**219,050**
Cash and cash equivalents	**97,953**
Total	**375,958**
Financial liabilities at amortised cost:	
Trade payables	**1,125**
Other current financial liabilities	**84,193**
Interest-bearing bank borrowing	**219,050**
Non-current financial liabilities	**500**
Total	**304,868**

2017:

	RMB'000
Financial assets – Loans and receivables:	
Trade and bills receivables	77,331
Financial assets included in prepayments, deposits and other receivables	11,814
Restricted bank balances	209,289
Cash and cash equivalents	164,309
Total	462,743
Financial liabilities at amortised cost:	
Trade and bills payables	79,074
Financial liabilities included in other payables and accruals	71,583
Interest-bearing bank borrowing	208,975
Long-term payable	500
Total	360,132

33. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of restricted bank balances, cash and cash equivalents, other current financial assets at amortised cost, trade and bills payables, other current financial liabilities, non-current financial liabilities and an interest-bearing bank borrowing approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

34. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include restricted bank balances, cash and cash equivalents and other current financial assets at amortised cost, which arise directly from its operations. Financial liabilities of the Group mainly include trade and bills payables, other current financial liabilities, non-current financial liabilities and an interest-bearing bank borrowing.

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

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

Interest rate risk

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

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

With all other variables held constant, a change in interest rates of 0.25% per annum would cause a corresponding change in the Group's loss before tax and accumulated losses by RMB583,000 for the year ended 31 December 2018 (2017: RMB594,000).

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

Foreign currency risk

The Group's functional currency is RMB as the assets and operations at the Yanjiazhuang Mine are primarily located in the PRC with transactions settled in RMB while transactions in the Group's Trading Business were settled in USD and RMB.

During the reporting period, the Group had transactional currency exposures. Such exposures arose from the sales and purchases of products and other transactions of operating units in currencies other than the Group's functional currencies. Approximately 98% (2017: approximately 99%) and 98% (2017: approximately 99%) of the Group's sales and purchases, respectively during the reporting period, and approximately 10% of the Group's net assets as at 31 December 2018 (2017: approximately 40%) were denominated in foreign currency (the USD). Currently, the Group does not have a foreign currency hedging policy. The fluctuation of RMB against USD and HKD during the reporting period led to the recognition of net foreign exchange losses of RMB2,631,000 (2017: losses of RMB9,980,000 (restated)).

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

With all other variables held constant, a change in the exchange rate of RMB against HKD and USD of 5% per annum would cause a corresponding change in the Group's loss before tax from continuing operations and accumulated losses by RMB1,630,000 for the year ended 31 December 2018 (2017: RMB8,011,000 (restated)).

Credit risk

The Group's trading terms with its customers generally require deposits or an usance letter of credit up to a tenor of 120 days within five days after the bill of lading date, except for creditworthy customers to whom credits are granted. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group has not held any collateral or other credit enhancements over its receivable balances.

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

Credit risk *(Continued)*

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Simplified approach RMB'000	Total RMB'000
Other current financial assets at amortised cost – Normal*	58,955	–	58,955
Restricted bank balances – Not yet past due	219,050	–	219,050
Cash and cash equivalents – Not yet past due	97,953	–	97,953
	375,958	–	375,958

* The credit quality of the other current financial assets at amortised cost is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2017

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

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

Further disclosure in respect of the Group's exposure to credit risk arising from trade and bills receivables is set out in note 18 to the consolidated financial statements.

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

Liquidity risk

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

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

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

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
2018					
Trade payables	**803**	**322**	**–**	**–**	**1,125**
Other current financial liabilities	**–**	**84,193**	**–**	**–**	**84,193**
Interest-bearing bank borrowing	**220,138**	**–**	**–**	**–**	**220,138**
Non-current financial liabilities	**–**	**–**	**–**	**500**	**500**
	220,941	**84,515**	**–**	**500**	**305,956**
2017					
Trade and bills payables	1,910	77,164	–	–	79,074
Other payables and accruals	–	71,583	–	–	71,583
Interest-bearing bank borrowing	208,975	–	–	–	208,975
Long-term payable	–	–	–	500	500
	210,885	148,747	–	500	360,132

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors. No changes were made in the objectives, policies or processes for managing financial risk during the years ended 31 December 2018 and 2017.

35. Statement of Financial Position of the Company

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

	2018 RMB'000	2017 RMB'000
Non-current assets		
Property, plant and equipment	**43**	84
Current assets		
Due from subsidiaries	**394,277**	399,905
Other current financial assets at amortised cost	**821**	–
Prepayments and other receivables	**–**	1,562
Restricted bank balances	**219,050**	208,975
Cash and cash equivalents	**47,457**	158,354
	661,605	768,796
Current liabilities		
Due to subsidiaries	**151,497**	157,620
Other current financial liabilities	**2,765**	–
Other payables and accruals	**4,330**	7,460
Interest-bearing bank borrowing	**219,050**	208,975
Income tax payable	**3,003**	3,003
	380,645	377,058
Net current assets	**280,960**	391,738
Total assets less current liabilities	**281,003**	391,822
Net assets	**281,003**	391,822
Equity		
Share capital	**331,960**	331,960
Reserves (note)	**(50,957)**	59,862
Total equity	**281,003**	391,822

Li Changfa
Director

Luk Yue Kan
Director

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

Note:

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

	Share premium account RMB'000	**Capital reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2017	719,871	77,163	(690,258)	106,776
Loss for the year	–	–	(46,914)	(46,914)
Other comprehensive income for the year	–	–	–	–
Total comprehensive loss for the year	–	–	(46,914)	(46,914)
At 31 December 2017 and 1 January 2018	**719,871**	**77,163**	**(737,172)**	**59,862**
Loss for the year	**–**	**–**	**(110,819)**	**(110,819)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**(110,819)**	**(110,819)**
At 31 December 2018	**719,871**	**77,163**	**(847,991)**	**(50,957)**

In accordance with the articles of association of the Company and the Companies Law (2018 Revision) of the Cayman Islands, the Company's share premium account is distributable in certain circumstances.

The capital reserves of the Company represented:

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

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

36. Comparative Amounts

The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 10 to the consolidated financial statements).

37. Approval of the Financial Statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2019.

Five-Year Financial Summary

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

Results

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)		
Revenue (Note)	**318,133**	646,492	84,394	3,421	1,263
Loss before tax from continuing operations	**(106,229)**	(45,765)	(543,274)	(45,644)	(46,020)
Income tax expenses	**(54)**	(241)	–	–	(422)
Loss for the year from continuing operations	**(106,283)**	(46,006)	(543,274)	(45,644)	(46,442)
Loss for the year from a discontinued operation	**(1,288)**	(1,437)	(237)	–	–
Loss for the year	**(107,571)**	(47,443)	(543,511)	(45,644)	(46,442)

Note: Revenue for the year of 2018, 2017 and 2016 represent that of continuing operations. Further details of the performance of the discontinued operation are presented in note 10 to the consolidated financial statements.

Assets, Liabilities and Non-controlling Interests

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**206,645**	268,366	272,512	763,653	767,242
Current assets	**404,263**	506,291	483,175	588,077	655,062
Current liabilities	**(330,452)**	(388,099)	(321,693)	(367,065)	(384,655)
Non-current liabilities	**(500)**	(500)	(500)	(7,660)	(15,000)
Total equity	**279,956**	386,058	433,494	977,005	1,022,649
Non-controlling interests	**4,371**	4,248	3,382	(2,074)	(2,367)
Equity attributable to owners of the Company	**284,327**	390,306	436,876	974,931	1,020,282

Glossary of Terms

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

"AGM"	an annual general meeting of the Company
"Articles"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company"	Newton Resources Ltd, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Director(s)"	the director(s) of the Company
"Disaster"	inclement weather which took place in Hebei Province, the PRC in late July 2016, causing floods and landslides in the region as well as life and economic losses and business disruption
"Environmental Upgrade"	upgrade of the environmental protection measures of the production facilities for highway crushed stone and railway ballast at the Yanjiazhuang Mine as required by the local environmental protection authority
"FY 2017" or "Corresponding Prior Period"	the financial year ended 31 December 2017
"FY 2018" or "Reporting Period"	the financial year ended 31 December 2018
"Group"	the Company and its subsidiaries collectively
"HK$" or "HKD"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

Glossary of Terms

"Inner Mongolia"	the Inner Mongolia Autonomous Region, the PRC
"Investment Committee"	the investment committee of the Company
"IPO"	the initial public offering of the Shares which were listed on the Main Board of the Stock Exchange on 4 July 2011
"Interim Report 2018"	the interim report of the Company for the six-month period ended 30 June 2018
"JORC"	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the JORC, as amended from time to time
"Land Use Adjustment"	the adjustment of the forestry ecology planning covering the Yanjiazhuang Mine area
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 4 July 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Master Purchase Agreement"	the master agreement entered into between the Company (for itself and as trustee for the benefits of its subsidiaries) as purchaser and SCIT as supplier on 25 April 2017 in relation to the purchase of iron ore by the Group from SCIT which were approved by the independent Shareholders on 15 June 2017 and will expire on 31 December 2019
"Mining Permit"	the mining permit of Xingye Mining in respect of iron ore and gabbro-diabase at the Yanjiazhuang Mine
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Mt"	megatonne(s)/million tonnes
"Nomination Committee"	the nomination committee of the Company

Glossary of Terms

"Phase Two"	the second phase of the Company's three-phase expansion plan in respect of the Yanjiazhuang Mine, to achieve total mining and ore processing capacities of 7,000,000 tpa to produce approximately 1,770,000 tpa of iron concentrates
"Phase Three"	the third phase of the Company's three-phase expansion plan in respect of the Yanjiazhuang Mine, to achieve total mining and ore processing capacities of 10,500,000 tpa to produce approximately 2,655,000 tpa of iron concentrates
"PRC" or "Mainland China" or "China"	The People's Republic of China, which for the purpose of this report, shall exclude Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Remuneration Committee"	the remuneration committee of the Company
"Renewal"	the renewal of the Mining Permit
"RMB"	Renminbi, the lawful currency of the PRC
"Safety Authority"	the relevant government authority for the granting of production safety permit(s) for iron mining and gabbro-diabase products
"SCIT"	SCIT Trading Limited, an indirect wholly-owned subsidiary of Shougang Concord International Enterprises Company Limited and a connected person of the Company under the Listing Rules
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	existing ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"tonne(s)"	equal to 1,000 kilograms
"tpa"	tonne(s) per annum

Glossary of Terms

"US$" or "USD"	the United States dollar, the lawful currency of the United States of America
"Xingye Mining"	Lincheng Xingye Mineral Resources Co., Ltd（臨城興業礦產資源有限公司）, an indirect non-wholly owned subsidiary of the Company
"Yanjiazhuang Mine"	Lincheng Xingye Mineral Resources Co., Ltd Yanjiazhuang Mine（臨城興業礦產資源有限公司閆家莊礦）, an open-pit iron and gabbro-diabase mine located in Yanjiazhuang Mining Area, Shiwopu, Haozhuang Town, Lincheng County, Hebei Province, the PRC

Corporate Information

Board of Directors

Executive Directors

Mr. Chong Tin Lung, Benny *(Chairman)*
Mr. Li Changfa
Mr. Luk Yue Kan

Non-executive Director

Mr. Wu Wai Leung, Danny

Independent Non-executive Directors

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

Board Committees

Audit Committee

Mr. Tsui King Fai *(Chairman)*
Mr. Wu Wai Leung, Danny
Mr. Shin Yick, Fabian

Remuneration Committee

Mr. Lee Kwan Hung *(Chairman)*
Mr. Chong Tin Lung, Benny
Mr. Tsui King Fai
Mr. Shin Yick, Fabian

Nomination Committee

Mr. Lee Kwan Hung *(Chairman)*
Mr. Chong Tin Lung, Benny
Mr. Tsui King Fai
Mr. Shin Yick, Fabian

Investment Committee

Mr. Chong Tin Lung, Benny *(Chairman)*
Mr. Wu Wai Leung, Danny
Mr. Luk Yue Kan

Company Secretary

Mr. Luk Yue Kan

Registered Office

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Grand Cayman, KY1-1104
Cayman Islands

Headquarter and Principal Place of Business in the PRC

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Lincheng County
Hebei Province, the PRC

Principal Place of Business in Hong Kong

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41/F, Jardine House
1 Connaught Place
Central, Hong Kong

Principal Share Registrar and Transfer Office

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

Corporate Information

Hong Kong Branch Share Registrar and Transfer Office

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Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditor

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

Solicitors

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

Principal Bankers

Chong Hing Bank Limited
Agricultural Bank of China Limited, Hong Kong Branch
Bank of Communications Co., Ltd. Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited

Stock Code

Hong Kong Stock Exchange 1231

Share Information

Board lot size: 2000

Investor Information

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

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