滙力集團
HUILI GROUP

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

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

2018
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Wang Qian
Mr. Liu Huijie
Mr. Zhou Jianzhong (appointed on 11 March 2019)
Mr. Li Xiaobin (resigned on 11 March 2019)
Ms. Jia Dai (resigned on 13 February 2019)

Independent Non-Executive Directors

Ms. Xiang Siying *(Chairman)*
(appointed as the Chairman on 11 March 2019)
Ms. Huang Mei (appointed on 19 October 2018)
Mr. Chan Ping Kuen (appointed on 11 March 2019)
Ms. Sun Zhili (resigned on 19 October 2018)

AUDIT COMMITTEE

Ms. Huang Mei *(Chairman)*
(appointed on 19 October 2018)
Ms. Xiang Siying
Mr. Chan Ping Kuen (appointed on 11 March 2019)
Ms. Sun Zhili (resigned on 19 October 2018)

REMUNERATION COMMITTEE

Ms. Xiang Siying *(Chairman)*
Ms. Wang Qian
Ms. Huang Mei (appointed on 19 October 2018)
Ms. Sun Zhili (resigned on 19 October 2018)

NOMINATION COMMITTEE

Ms. Wang Qian *(Chairman)*
Ms. Xiang Siying
Ms. Huang Mei (appointed on 19 October 2018)
Ms. Sun Zhili (resigned on 19 October 2018)

AUTHORISED REPRESENTATIVES

Ms. Xiang Siying
Mr. Yau Hong Chun

COMPANY SECRETARY

Mr. Yau Hong Chun (appointed on 13 February 2019)
Mr. Ip Wing Wai (resigned on 13 February 2019)

INDEPENDENT AUDITOR

BDO Limited
25th Floor,
Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISERS

as to law of Hong Kong Special Administrative Region ("Hong Kong")
Sidley Austin

as to law of People's Republic of China (the "PRC")
Global Law Office

as to law of Cayman Islands
Conyers Dill & Pearman

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

In Hong Kong
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Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

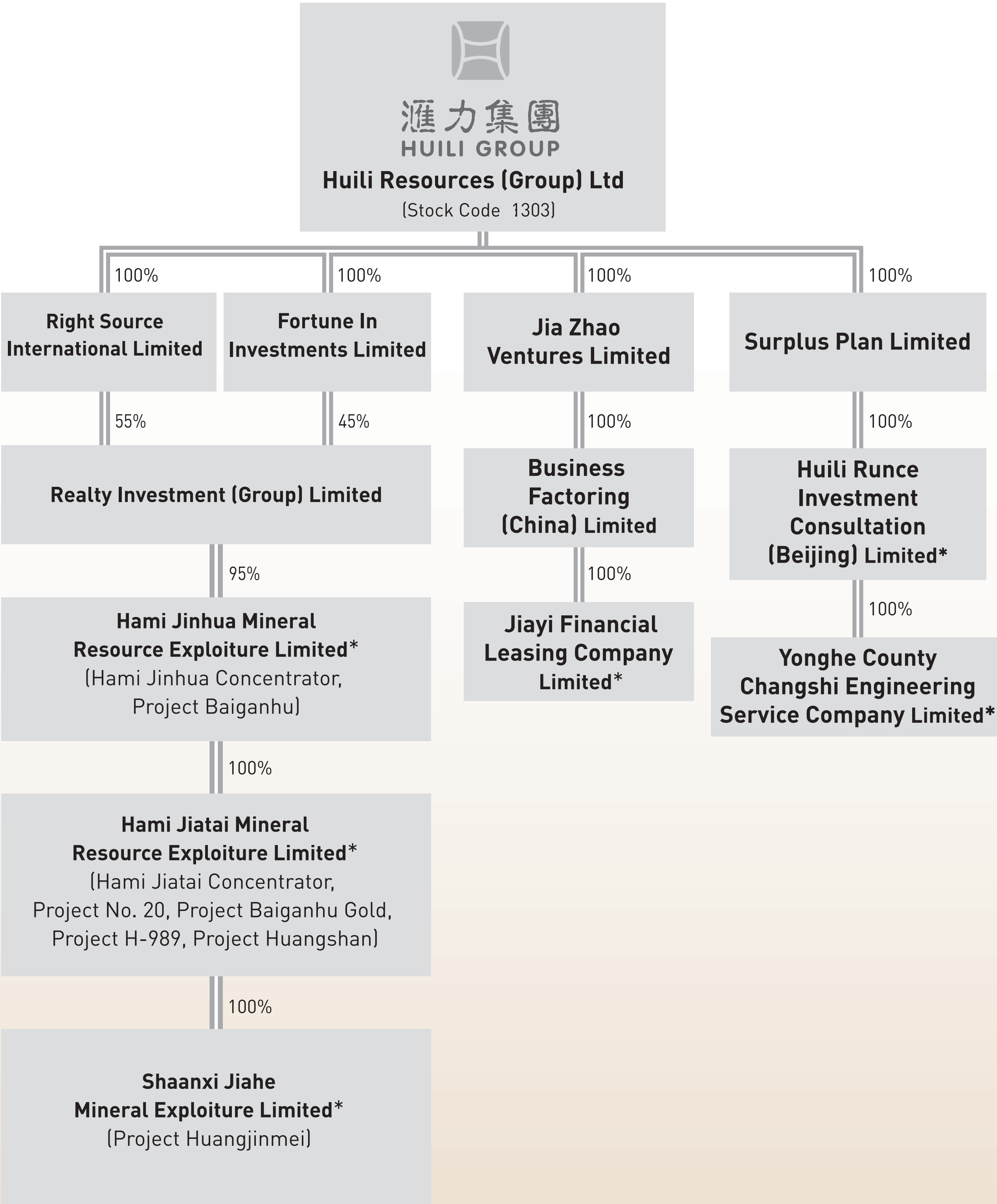
COMPANY WEBSITE

www.huili.hk

STOCK CODE

1303

PRINCIPAL SUBSIDIARIES OF THE GROUP



* For identification purposes only

MINES INFORMATION

MINERAL RESOURCES AS OF 31 DECEMBER 2018

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

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

Project name	Classification	Quantity (kt)	Au Grade (g/t)	Au metal (t)
Project Huangjinmei	Measured	—	—	—
	Indicated	430	3.61	1.5
	Inferred	716	3.63	2.7
	Total	1,146	3.62	4.2

ORE RESERVES AS OF 31 DECEMBER 2018

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

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

Note: The report on mineral resources and ore reserves of the Project No. 20, Project H-989 and Project Baiganhu are prepared based on the independent technical report of Minacro-Mine Consult, an independent technical consultant, for determining mineral resources and ore reserves, while the report on mineral resources Project Huangjinmei are prepared based on Xinjiang Engineering & Research Institute of Nonferrous Metals Co., Ltd (新疆有色冶金設計研究院有限公司). The presentation of the data in round figures may result in minor computational discrepancies. Such discrepancies are deemed to be insignificant whenever this occurs.

EXPLORATION PERMITS

Project name	Type of ore under exploration	Exploration Area (km^2)	Permit expiry date (month/year)
Project Baiganhu Gold	Au	0.64	July 2018 (Note)
Project H-989	Cu, Ni	0.96	July 2018 (Note)
Project Huangshan	Cu, Ni	3.49	March 2019

MINING PERMITS

Project name	Type of ore under mining	Mining Area (km^2)	Permit expiry date (month/year)
Project No. 20	Cu, Ni	0.22	June 2019
Project Baiganhu	Pb, Zn	0.96	September 2021
Project Huangjinmei	Au	0.12	February 2021

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

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

CAPITAL EXPENDITURE AND EXPLORATION EXPENSES

The Group did not carry out any ore production during the years ended 31 December 2017 and 2018.

For the years ended 31 December 2017 and 2018, no capital expenditure was incurred for the development and mining activities which mainly represented construction of mining structures and explosive storage of the mines.

For the years ended 31 December 2017 and 2018, no exploration expenses were charged to the consolidated income statement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Huili Resources (Group) Limited (the "Company") and its subsidiaries (collectively, the "Group") mainly participate in non-ferrous ore mining and processing. The diversified non-ferrous metal minerals covered by the Company's operation include nickel, copper, zinc and lead in Xinjiang Uyghur Autonomous Region ("Xinjiang"), the People's Republic of China (the "PRC"). The mining and exploration tenements and ore processing plants in Xinjiang are located close to the municipal city of Hami county, which is approximately 400 kilometers ("km") southeast of Urumqi, the capital of Xinjiang. Huangjinmei tenement, which is the Company's gold operation, is located 15 km by sealed road from the regional town of Jinchuan, Ningshan County. The town of Jinchuan is located approximately 140 km south of Xi'an City and is connected by the G210 state highway.

The Company's subsidiaries, Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua") and Hami Jiatai Mineral Resource Exploiture Limited ("Hami Jiatai"), own two mining permits and three exploration permits in Xinjiang, the PRC.

The price of copper, nickel, zinc and lead fluctuated wildly in 2018 as the factors that boosted or depressed the commodity's price alternated with each other to prevail in the relationship between supply and demand. The price of copper reached at its peak near the mid of 2018, the price dropped gradually to its low in August 2018, and rebounded slightly near the year end. On the other hand, the price of the Nickel also reached its peak near the mid of 2018 but dropped gradually to its year low near the year end. In contrast, the markets of lead and zinc showed their weak, having around 20% and around 26% decline in price respectively during 2018 (Source: The London Metal Exchange)

Since the commodities' price had not yet stabilised at a high enough level for the business segment to be profitable, the Group continued to defer the mining activities and scheduled maintenance work in order to extend the mine services lives and minimise the operating loss. This also allow the Group to preserve the value of the assets during the year ended 31 December 2018 (the "Year"). The Group will be closely monitoring the window to restart its mines production and will also look for cooperative partners to jointly develop the mines in order to maximise their economic values.

For events which occurred after the reporting period, please refer to note 44 to the consolidated financial statements

Mining Permits

Hami Jinhua and Hami Jiatai hold two mining permits, namely No. 20 Mine and Baiganhu Mine. No. 20 Mine produces copper and nickel ores. The Group has renewed the mining permit of No. 20 Mine during the Year. To meet new requirements of safety production, No. 20 Mine is to upgrade its lifting system before the production relaunching. Baiganhu Mine produces lead and zinc ores. The Group is preparing feasibility study for the commencement of production.

During the Year, Shaanxi Jiahe Mineral Exploiture Limited ("Shaanxi Jiahe"), which became the 95%-owned subsidiary of the Company in May 2018, holds the mining permit of Mine 1 of Project Huangjinmei that produces gold ore. The Group will engage mine construction company or identify potential cooperative parties to develop Project Huangjinmei as and when appropriate.

Exploration Permits

Hami Jiatai holds three exploration permits in Xinjiang namely Baiganhu Gold, Huangshan and H-989, with minerals covering gold, nickel and copper. Preliminary exploration and/or drilling plans for such tenements had been considered. Hami Jiatai had conducted some exploration at Baiganhu Gold tenement, and identified the preliminary mineralisation band and the ore deposit. Subject to the market condition and local requirements, the Group will devote reasonable resources to carry out further exploration in order to enrich the resources and reserve base. In the meantime, the Group will communicate with the relevant parties on the title transfer of the exploration right of Mine 2 of Project Huangjinmei.

Ore Processing Plants

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

Financial Services

The financial services in the PRC was carried out by the Company's wholly-owned subsidiary Jiayi Financial Leasing Company Limited ("Jiayi"). On 19 January 2018, Jiayi entered into a loan agreement to provide to an independent third party a revolving loan facility in the aggregate principal amount of up to Renminbi ("RMB") 100 million with interest rate of 7% per annum for a term of 18 months, and such loan was repaid in December 2018. On 11 December 2018, Jiayi entered into another loan agreement (the "Loan Agreement") to provide a loan of RMB100 million to an independent third party with interest rate of 7% per annum for a term of 3 months, which was further extended to 1 April 2019. At the board meeting held on 29 March 2019, the directors of the Company (the "Directors") approved the further extension of the Loan Agreement to 11 September 2019. Revenue of approximately RMB6.6 million (2017: RMB10.2 million) was generated by Jiayi during the Year.

Further details of two loan agreements were disclosed in the announcements of the Company dated 19 January 2018 and 11 December 2018.

Engineering Services and Trading Business

The Group carried out business of engineering and other related services in Shanxi province, the PRC through a wholly-owned subsidiary of the Company, Yonghe County Changshi Engineering Service Company Limited ("Changshi"), which generated revenue of approximately RMB26.1 million (2017: RMB12.7 million) during the Year. Changshi was incorporated in Shanxi province, the PRC on 29 January 2016 and was acquired by the Group in April 2017. Changshi principally engaged in petrol, natural gas and coalbed gas engineering and pre-drilling services. During the Year, in order to diversify the business risk associated with the recent economic conditions, the Group had also diversified into the trade in materials for oil and gas exploration, including fracturing sands and water, gas drilling equipment and valves.

Transfer Back of Shaanxi Jiahe

References are made to announcements of the Company dated 28 March 2018, 30 April 2018, 31 May 2018, 12 June 2018, 15 June 2018, 17 July 2018, 14 August 2018 and 17 August 2018 (the "Announcements"). Unless otherwise stated, capitalised terms used in this report shall have the same meanings as those defined in the Announcements.

The Disposal and the Settlement

On 18 December 2015, Hami Jiatai and Xiaoyi Dajieshan Coal Industry Company Limited ("Xiaoyi Dajieshan") entered into a disposal agreement (the "Disposal Agreement") in relation to the disposal of the entire equity interests of Shaanxi Jiahe, which is principally engaged in mining, ore processing and sale of gold products in the PRC, and the right to the entire debts in the aggregate amount of RMB9.4 million due from Shaanxi Jiahe to the Group for an aggregate consideration of RMB57.4 million (the "Disposal"). Following receipt of the First Payment of RMB4.8 million by the Group, the Disposal was completed in December 2015. In February 2017, the Company, Hami Jiatai and Xiaoyi Dajieshan entered into a supplemental agreement to extend the payment deadline of the balance of consideration for the Disposal to 31 December 2017. Despite considerable effort was put by the Group in demanding for repayment, Xiaoyi Dajieshan had failed to settle the balance of consideration for the Disposal in the amount of RMB52.6 million. Therefore, in January 2018, Hami Jiatai initiated a legal proceeding against Xiaoyi Dajieshan for the outstanding consideration payable under the Disposal Agreement. Pending the commencement of the said legal proceedings, the Group also sent repeated demands to Xiaoyi Dajieshan. However, taking into consideration of the potential higher legal costs of prolonged litigation proceedings and the low probability of recovering the remaining consideration from Xiaoyi Dajieshan in light of its financial status, the Group considered that the settlement would be in the best interests of the Group. On 22 May 2018, the Court issued a civil mediation order, pursuant to which Hami Jiatai and Xiaoyi Dajieshan has reached the settlement that the entire equity interests of Shaanxi Jiahe together with the debts of RMB3.1 million due from Shaanxi Jiahe shall be transferred back to Hami Jiatai, and the RMB4.8 million paid by Xiaoyi Dajieshan to Hami Jiatai as part of the consideration for the disposal shall be retained by Hami Jiatai as liquidated damages (the "Settlement"). Further, on 31 May 2018, the Group and Xiaoyi Dajieshan also entered into the debt settlement agreements, pursuant to which Xiaoyi Dajieshan agreed to re-assign the debts of RMB6.3 million to the Group. Immediately after the Settlement, Shaanxi Jiahe became an indirect 95%-owned subsidiary of the Company and Xiaoyi Dajieshan ceased to be entitled to any right to the aforementioned debts. Details of the Disposal and the Settlement were disclosed in the announcements of the Company dated 18 December 2015, 31 May 2018 and 17 August 2018.

The Valuation

Following the transferred back of Shaanxi Jiahe, the Company engaged an independent technical adviser in the PRC to produce a technical report (the "Technical Report") in relation to the reserves, feasibility study and production plan of the gold mine, namely Project Huangjinmei, operated by Shaanxi Jiahe. Meanwhile, the Company also appointed an independent valuation firm to carry out an independent review of 100% equity interests of Shaanxi Jiahe in order to assess the amount of impairment recovery to be provided for the outstanding receivable from Xiaoyi Dajieshan. The 100% equity interests was derived from business enterprise value ("BEV") of Shaanxi Jiahe which is determined based on the value-in-use (the "VIU") calculation, and by reference to the management account of Shaanxi Jiahe as at 31 December 2017 and the cash flow projection made immediately after the transfer back of the Shaanxi Jiahe (the "Cash Flow Projection").

The Cash Flow Projection have taken into account that: (i) based on the Technical Report, the advice from the PRC legal counsel and the interview by the Company and PricewaterhouseCoopers, the retired auditors of the Company ("Retired Auditors"), with the representative of the Shaanxi Provincial Department of Land Resources, the Company targets to complete the title transfer of exploration rights of Mine 2 of Project Huangjinmei to Shaanxi Jiahe as soon as practicable and Mine 2 will be able to meet the legal requirement to commence production by the third quarter of 2020; (ii) considering the amount of non-operating payables of Shaanxi Jiahe to a group of third parties outweighs its non-operating receivables from the same group of third parties, the Company considers that no impairment is required for the said non-operating receivables; and (iii) amount due from Shaanxi Jiahe to the Group of RMB9.4 million will be fully repaid by Shaanxi Jiahe. Valuation result of the 100% equity interests of Shaanxi Jiahe as at 31 December 2017 was approximately RMB13.2 million.

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

The Independent Investigation

In respect of the receipt of three unauthentic bank acceptances by the Group for settlement of consideration for the Disposal, the board (the "Board") of directors (the "Director(s)") of the Company set up the special investigating committee (the "Special Investigating Committee") on 21 March 2018 to investigate the Disposal and address other issues raised by the Company' s Retired Auditors. An independent investigation firm (the "Independent Investigation Firm") was engaged by the Special Investigating Committee to conduct an independent investigation into such matters (the "Independent Investigation"). For details of the key findings of the Independent Investigation, please refer to the Company's announcement dated 17 August 2018.

Based on the findings of the Independent Investigation, the Special Investigating Committee is of the view that the Disposal was a legally binding transaction under the PRC laws and the Company had complied with the applicable reporting requirements under the Listing Rules. Further, the Board believes that the Group has taken various measures to protect the Group against losses that might arise from the Disposal. Such measures include but are not limited to the following: (i) the Group has repeatedly descended Xiaoyi Dajieshan for the settlement of outstanding payments under the Disposal. The Group eventually took legal action against Xiaoyi Dajieshan and the parties reached the Settlement pursuant to which the Group retrieved the assets from Xiaoyi Dajieshan and obtained liquidated damages; and (ii) the Group has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems and has engaged a third-party risk management and internal control review adviser (the "Internal Control Adviser") to conduct annual review of the risk management and internal control systems including the payment and bills receipts systems of the Group.

The Group will strive to improve its accounting, internal audit and financial reporting functions and will strive to ensure that the qualifications and experience of the relevant staff performing such functions will be adequate. Meanwhile, the Group reserves its rights to claim and take actions against any entity and/or individuals in connection with the same.

RESULTS REVIEW

Revenue and gross profit

During the Year, the Group has recorded a revenue of approximately RMB32.8 million, which mainly represented the revenue generated from trading of materials for oil and gas exploration provided by Changshi of approximately RMB26.1 million and financial services provided by Jiayi of approximately RMB6.6 million.

The revenue increased by RMB10.0 million or 43.7% year on year from approximately RMB22.8 million during the year ended 31 December 2017 (the "Previous Financial Year"). The increase was mainly because revenue amounted to approximately RMB26.1 million was recognised after the Group entered into a new business in trading of materials for oil and gas exploration during the Year. The increase was partly offset by decrease in revenue of approximately RMB12.7 million for the Group's engineering and other related services business during the Previous Financial Year.

The Group recorded cost of sales of approximately RMB24.0 million during the Year, as compared to approximately RMB7.7 million during the Previous Financial Year. The cost of sales for the Year mainly represented the cost of inventories for the Group's new business in trading of materials for oil and gas exploration, while that for the Previous Financial Year mainly represented the cost of providing engineering services.

Gross profit of approximately RMB8.8 million was recorded during the Year, as compared with the gross profit of approximately RMB15.1 million recorded in the Previous Financial Year. The Group's new trading business has relatively lower gross margin than the engineering services. With the increase in the revenue from the Group's trading business and the decrease of revenue from the Group's engineering services, the gross profit hence recorded RMB6.3 million or 41.7% year on year decrease during the Year.

The price of copper, nickel, zinc and lead fluctuated wildly in 2018 as the factors that boosted or depressed the commodity's price alternated with each other to prevail in the relationship between supply and demand. It is still far from certain whether the commodity's price can stabilise at high levels.

As such, the Group carried out reviews of the recoverable amounts of Hami Jiatai and Hami Jinhau, which are considered as the cash generating units ("CGUs") of their mining operations in Xinjiang, the PRC. The recoverable amounts of Hami Jiatai and Hami Jinhau have been determined based on the VIU calculation using cash flow projections, which was prepared based on financial budgets prepared by management and management's assumptions and estimates including forecast of selling prices of copper, nickel, zinc and lead, discount rates, time to resume production and inflation rate on the CGUs. There was no material change in the valuation methodology adopted during the Year from those of the Previous Financial Year.

The Group also carried out reviews of the recoverable amount of Shaanxi Jiahe, which is considered as the CGU of the Project Huangjinmei as at 31 December 2018. The recoverable amount of Shaanxi Jiahe has been determined based on the VIU calculation using the cash flow projection prepared by management (the "Projection") and management's assumptions and estimates including forecast of selling prices of gold, discount rates, time to restart production and inflation rate on the CGU.

The Projection have taken into account that based on the Technical Report, the advice from the PRC legal counsel and the interview by the Company and the Retired Auditors, with the representative of the Shaanxi Provincial Department of Land Resources, the Company targets to complete the title transfer of exploration rights of Mine 2 of Project Huangjinmei to Shaanxi Jiahe as soon as practicable and Mine 2 will be able to meet the legal requirement to commence production by the third quarter of 2020. There were no material changes in the assumption from the basis of the Cash Flow Projection as mentioned in page 10 of this Annual Report.

Further details of the key assumptions and parameters adopted in the valuation for the Year and the Previous Financial Year have been disclosed in notes 16, 17 and 19 to the consolidated financial statements.

Approximately RMB27.4 million (2017: RMB6.1 million) of the impairment losses, in aggregate, against goodwill, property, plant and equipment and mining structures and mining rights were recorded for the Year, in aggregate, for both Hami Jiatai and Shaanxi Jiahe, after the Group referred to the valuations conducted by independent valuation firms. Further details of the valuations and the impairments are set out in notes 16, 17 and 19 to the consolidated financial statements.

During the Year, the Group continued to suspend the production plan of No.20 Mine, Baiganhu and Project Huangjinmei as the prices did not yet stabilise at a high enough level to make the business segment profitable. The Group will be closely monitoring the window to restart its mines production and will also look for cooperative partners to jointly develop the mines in order to maximise their economic values.

Administrative expenses

Administrative expenses for the Year amounted to approximately RMB28.3 million (2017: RMB56.5 million). They mainly included depreciation and amortisation charges, consulting fees, staff costs and office overheads. The RMB28.2 million year on year decrease in the administrative expenses was mainly because the doubtful debt provision for other receivables from approximately RMB31.7 million was provided during the Previous Financial Year but no such during the Year.

Approximately RMB17.0 million of expected credit losses was made for trade and other receivables and loan receivable upon the application of HKFRS 9 during the Year and was disclosed as a separate line "Expected credit losses on financial assets" in the consolidated income statement.

Other gains – net

Other gains of approximately RMB14.4 million during the Year, as compared with approximately RMB0.7 million for the Previous Financial Year. The increase was because the exchange gain of approximately RMB12.1 million (2017: exchange loss of approximately RMB3.4 million) was recorded during Year as the result of the depreciation of RMB against the Group's assets denominated in Hong Kong dollars ("HK$").

Finance income – net

Finance income for the Year was approximately RMB1.3 million, as compared with RMB0.4 million for the Previous Financial Year. The increase in the finance income was mainly contributed by the increase in the interest income of approximately RMB1.1 million as the result of the increase in the average bank balances during the Year.

Income tax credit/expense

The Group recorded income tax credit of approximately RMB4.7 million, against the income tax expense of approximately RMB1.8 million for the Previous Financial Year. The income tax credit of approximately RMB4.7 million was mainly arising from the reversal of the deferred tax liabilities of approximately RMB6.1 million (2017: RMB1.6 million) upon the impairment of the Group's property, plant and equipment, and mining structures and mining rights, netted by the tax provision made for the Year of approximately RMB1.4 million (2017: RMB3.4 million).

Loss attributable to the equity holders of the Company

The Group recorded loss attributable to equity holders of the Company for the Year of approximately RMB41.3 million, as compared with approximately RMB46.1 million for the Previous Financial Year. The loss decreased by approximately RMB4.8 million or 10.4% year on year, and was primarily due to the decrease in gross profit of approximately RMB6.3 million and the increase in the other operating losses of approximately RMB21.3 million, which are offset by the decrease in administrative expenses of approximately RMB28.2 million, the increase in the other gains of approximately RMB13.7 million, the expected credit losses on financial assets of approximately 17.0 million (2017: nil), the increase in finance income-net of approximately RMB0.9 million and income tax credit of approximately RMB4.7 million (2017: income tax expenses of approximately RMB1.8 million).

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held as at 31 December 2018 (2017: nil).

MATERIAL ACQUISITIONS AND DISPOSALS

Save as transfer back of Shaanxi Jiahe as detailed above, there were no other material acquisitions and disposals during the Year.

LIQUIDITY AND FINANCIAL REVIEW

The Group financed its day to day operations by internally generated cash flow during the Year. Primary uses of funds during the Year was mainly payment of operating expenses.

As at 31 December 2018, current assets of approximately RMB351.8 million (2017: RMB238.3 million) were comprised of inventories of approximately RMB3.0 million (2017: RMB3.0 million), financial assets at fair value through other comprehensive income of approximately RMB2.3 million (2017: nil), trade receivables of approximately RMB11.4 million (2017: RMB9.0 million), loan receivable of approximately RMB98.9 million (2017: nil), other receivables and prepayments of approximately RMB68.4 million (2017: RMB171.8 million) and cash and cash equivalents of approximately RMB167.9 million (2017: RMB54.4 million). Current liabilities of approximately RMB58.9 million (2017: RMB38.4 million) were comprised of trade payables of approximately RMB7.6 million (2017: RMB12.2 million), other payables and accruals of approximately RMB43.9 million (2017: RMB21.0 million), current tax liabilities of approximately RMB5.2 million (2017: RMB4.1 million) and borrowings of RMB2.2 million (2017: RMB1.0 million). Current ratios, being total current assets to total current liabilities, were 6.2 and 6.0 as at 31 December 2017 and 31 December 2018 respectively.

As at 31 December 2018, there was no outstanding interest-bearing bank loan (2017: nil) and unsecured loans of RMB2.2 million (2017: RMB1.0 million) which was interest bearing of 10% per annum.

The Group conducted its continuing operational business transactions mainly in RMB and HK$. The Group did not arrange any forward currency contracts for hedging purposes.

GEARING RATIO

Gearing ratio of the Group is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 31 December 2018, the gearing ratio was 0% (2017: 0%).

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are mainly conducted in RMB. The Group has not experienced any material difficulties with its operations or liquidity as a result of fluctuations in currency exchange rates during the Year. The Group does not currently engage in hedging activities against foreign exchange exposure, as it believes that the cost associated with such hedging arrangements would exceed the benefits. However, management will continue to monitor the relevant circumstances and will take such a measure if it is deemed prudent.

CHARGES ON COMPANY'S ASSETS AND CONTINGENT LIABILITIES

There was no charge on the Company' s assets as at 31 December 2018 (2017: nil).

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

Save as disclosed above, as at 31 December 2018, the Group had no material contingent liability (2017: nil).

COMMITMENTS

(a) Capital commitments

There is no contracted capital expenditure as at years ended 31 December 2018 and 2017.

(b) Non-cancellable operating leases

Operating leases – lessee

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

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	2,101	2,944
Later than 1 year and no later than 5 years	2,801	4,665
	4,902	7,609

Operating leases – lessor

Certain properties may have been vacated prior to the end of the lease term. Where possible the Group always endeavours to sub-lease such vacant space on short-term lets. An onerous provision is recognised where the rents receivable over the lease term are less than the obligation to the head lessor.

The minimum rent receivables under non-cancellable operating leases are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	1,267	–
Later than 1 year and no later than 5 years	3,600	–
	4,867	–

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2018, the Group employed 39 employees (2017: 58). The total staff costs (including Directors' emoluments) for the Year were approximately RMB9.6 million (2017: RMB12.2 million). The salaries of employees largely depend on their job nature, performance and length of service with the Group. The Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group. In addition to the basic remuneration, the Group also provides employees with employees benefits, including pension, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-job training, the Group provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop. Directors and employees, among others, are entitled to participate in the share option scheme at the discretion of the board. No share option was granted/exercised and outstanding as at 31 December 2018.

FUTURE OUTLOOK

The Group will continue to study and prepare a feasible relaunching production plan for the mines owned by the Group so as to capitalise on China's continuing strong economic growth.

During the Year, the Group has commenced trading of materials for oil and gas exploration including fracturing sands and water, gas drilling equipment and valves, and will continue to devote reasonable resources into the existing financial services business and engineering services business. The Group is also continuously seeking for opportunities to expand the Group's businesses. Currently, the Group is actively exploring the potentials to fully utilise the Group's expertise and networks in the industry through widening the scope of trading business to coal. This is part of the Group's ongoing move to strengthen its diverse businesses with the aim of broadening its income stream. It is also aimed at minimising the impact of the adverse commodities market conditions on the Group's overall business performance.

Looking ahead, the Company will do its best to carry out more active operation and explore opportunities for acquisition project to capture the market opportunities in PRC and to diversify the Group's business and broaden its revenue base.

EXECUTIVE DIRECTORS

Mr. Liu Huijie (劉慧杰)

Mr. Liu, aged 52, holds a bachelor's degree in mechanical design and manufacturing from the Department of Precision Instruments and Mechanics of Tsinghua University. He was the technical director of Shijiazhuang High-efficiency Heat Exchanger Components Plant (石家莊高效換熱元件總廠) from 1990 to 1995 and the general manager of Shijiazhuang Changda Electromechanical Co., Ltd. (石家莊昌達機電有限公司) from 1995 to 2000. He was assistant to president and manager of general department and human resource department of Hebei Kedi Pharmaceutical Co., Ltd. (河北科迪藥業有限公司) from 2000 to 2002, general manager of Shijiazhuang Jieli Electromechanical Co., Ltd. (石家莊捷利機電有限公司) from 2002 to 2010 and general manager of Shanxi Jindafeng Natural Gas Development Co., Ltd. (山西金達豐天然氣開發有限公司) from 2005 to 2012. Mr. Liu has been the chairman of Shanxi Huifeng Xingye Gas Group Co., Ltd. (山西滙豐興業燃氣集團有限公司) since 2012. Currently, he is also the director of Warburg.

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

Ms. Wang Qian (王茜)

Ms. Wang, aged 43, is an executive Director. She joined the Group in January 2016. She has over 15 years of experience in finance, investment and management area. From October 2001 to June 2002, Ms. Wang was employed by PricewaterhouseCoopers Consulting, a company principally engaged in the provision of management consulting services, where she served as a consultant and was primarily responsible for enterprise strategy and financial management consultation. Ms. Wang successively acted as a senior manager of the finance strategy & business development department at the US headquarters of Goodyear Tire & Rubber Company and the Asia-Pacific region Finance Director of Goodyear Engineered Products Company from July 2004 to March 2009, Goodyear's principal business is manufacturing tires and rubber products, where she was primarily in charge of mergers and acquisitions, and annual operation planning, as well as organizing and supervising the financial activities for Asia Pacific region, After Goodyear Engineered Products Company was acquired by The Carlyle Group, Ms. Wang had led several acquisitions and restructuring projects. Since March 2009, Ms. Wang has served as the president of HIXIH Investment, a company principally engaged in the business of equity and securities investment, and Ms. Wang is primarily responsible for company management and investment business, She has accomplished and participated in several initial public offering projects in New York Stock Exchange, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Shanghai Stock Exchange for companies in finance, energy and resources, culture industries. Ms. Wang received a certificate of Certified Public Accountant granted by the Accountancy Board in the USA in October 2005. Ms. Wang received her bachelor's degree of economics from the Central University of Finance and Economics in July 1998. Ms. Wang received her Master of Business Administration degree from the Carnegie Mellon University in the USA in May 2004.

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

Mr. Zhou Jianzhong (周建忠)

Mr. Zhou, aged 46, has over 20 years of experience in the construction and engineering management field. Mr. Zhou joined the Group in May 2017 and is currently the legal representatives of Hami Jinhua, Hami Jiatai and Shaanxi Jiahe, responsible for general operations of the Company's mines in the PRC. From 2008 to 2017, Mr. Zhou held the position of the general manager and executive director of Shanxi Zi Feng Technology Company Limited (山西紫峰科技有限公司) responsible for corporate management and technical services in respect of lands involved in various projects. During the period from 1998 to 2008, Mr. Zhou was an engineer at China Railway 17th Bureau Group Co., Ltd. (中鐵十七局集團建築公司). Mr. Zhou obtained a bachelor's degree in industrial and civil architecture from Hebei University of Architecture (河北建築科技學院) and certificate of completion of postgraduate course of Road and railway construction from 石家莊鐵道學院 (Shijiazhuang Tiedao University). Mr. Zhou is a constructor (一級建造師) recognized by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) in 2008.

Mr. Zhou was appointed as an executive Director on 11 March 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Xiang Siying (項思英)

Ms. Xiang, aged 56, holds Bachelor's Degree in Agriculture Economics from China Agriculture University (now known as China Agriculture University) in 1986 and Master's Degree in Finance and Economics from Zhongnan University of Economics, Finance and Laws, China as well as The Research Institute of Finance and Economics of China in 1988. Ms. Xiang also holds a Master Degree in Business Administration from London Business School in 1999. She is a currently a consultant for CDH Investments ("CDH") and has had a long career in investment, banking and financial advisory services. From June 2010 to April 2016, Ms. Xiang had worked for CDH as an executive director; and before that from March 2004 to June 2010 she worked for China International Capital Corporation in its Direct Investment Department and Investment Banking Department as an executive director. Prior to returning China in early 2004, Ms. Xiang was an investment officer of Global Manufacturing and Service Department and East Asia and Pacific Department of International Finance Corporation ("IFC"), the World Bank Group, in Washington DC from August 1996 to March 2004, and before that Ms. Xiang was an investment analyst of IFC's representative office in China. From July 1988 to July 1991 Ms. Xiang served as an officer of Ministry of Agriculture China, in its Department of World Bank Agriculture Project Management and Department of Rural Reform Research and Farm Management. Ms. Xiang also held the position as the independent non-executive director of Titan Petrochemicals Group Limited, a company listed on the Stock Exchange with stock code 1192, from July 2015 to July 2018. Currently, Ms. Xiang has been the independent non-executive director of China Ocean Industry Group Limited, a company listed on the Stock Exchange with stock code 651 since May 2008.

Ms. Xiang was appointed as an independent non-executive Director on 6 September 2017 and was appointed as the chairman of the Board on 11 March 2019.

Ms. Huang Mei（黃梅）

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

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

Mr. Chan Ping Kuen (陳炳權)

Mr. Chan, aged 33, has over 10 years of experience in the mining and material trading industry. Mr. Chan is currently the trading director of Ares Asia Limited, being a company listed on the Stock Exchange (stock code: 645), is responsible for coal, iron ore and rice imports to China. From April 2011 to March 2013, Mr. Chan held the position of assistant manager of trading department in Best Power Holdings (HK) Ltd., responsible for trading of iron ore and coal. From February 2009 to January 2011, Mr. Chan joined Hangpo Investment (Macau) Group Co., Ltd. as the assistant trading manager, responsible for procurement and coal, iron ore and manganese trading transactions. Mr. Chan obtained a bachelor's degree in accounting from Jinan University in 2009.

Mr. Chan was appointed as an independent non-executive Director on 11 March 2019.

SENIOR MANAGEMENT

Mr. Huang Kenian (黃可年)

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

Mr. Yau Hong Chun（邱康俊）

Mr. Yau, aged 33, joined the Group on 14 January 2019 and was appointed as the company secretary and the financial controller of the Company on 13 February 2019. Mr. Yau holds a Bachelor degree in Business Administration in Accounting from the Chinese University of Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and the associate member of The Institute of Chartered Secretaries. Mr. Yau possesses over 10 years of experience in accounting, auditing and corporate field. Mr. Yau worked in international accounting firms for auditing, and then joined a HK listed group as finance manager in April 2014 and was then promoted to assistant financial controller in January 2019.

REPORT OF THE DIRECTORS

The directors of the Company (the "Director(s)") present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 (the "Year").

CORPORATE INFORMATION

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the mining, ore processing and sales of gold, nickel, copper, lead and zinc products, trading of materials for oil and gas exploration, financial services, and engineering and other related services business in the People's Republic of China (the "PRC"), details of which are set out in Note 20 to the consolidated financial statements. Save for commencement of the business in trading of materials for oil and gas exploration, there were no significant changes in the nature of the Group's principal activities during the Year.

BUSINESS REVIEW

Details of business review, financial performance and future development of the Group's business are set out in the "Management Discussion and Analysis" from pages 7 to 17.

BOARD'S VIEW ON THE QUALIFIED OPINION

The Board, through the audit committee of the Company, noted that the consolidated financial statements of the Company for the Year had been subject to the qualified opinion of the auditor of the Company (the "Auditor") (the "Qualified Opinion"), on the basis as set out in the section headed "Basis of the Qualified Opinion" in the independent auditor's report "Auditor's Report"). The matters which gave rise to the qualified opinion related to the following two key assumptions in determining the fair value of the 100% equity interests in Shaanxi Jiahe Mineral Exploiture Limited ("Shaanxi Jiahe") (the "Equity Valuation") at the date of acquisition and the recoverable amount of the mining rights as at 31 December 2018:-

(1) the title of the mining rights of Mine 2 will be transferred to Shaanxi Jiahe Mineral Exploiture Limited ("Shaanxi Jiahe") at no additional charges and will meet the legal requirements to commence commercial operation by 2020 ("Assumption 1"); and

(2) Shaanxi Jiahe's non-operating receivables due from certain independent third parties amounted to RMB17.8 million will be fully recoverable in the near future ("**Assumption 2**").

Having considered the information available to the Board as at the date of the Annual Report, including without limitation, the information provided by the management and the Company's PRC legal adviser in respect of the Assumption 1 and Assumption 2 above, the Board is of the view that the Assumption 1 continues to be valid during the Year. For Assumption 2, as the Company was still in the process of negotiating and cannot finalise the terms of the set-off arrangement as at 31 December 2018 and up to the date of Annual Report, as thus, the expected credit losses of the aforesaid receivable has been fully provided in accordance with the newly effected HKFRS 9, as described in note 27(c) to the consolidated financial statements. Therefore, the Board is of the view that the Assumption 2 was no longer applicable as at 31 December 2018.

The Board, through the Audit Committee, further noted that the Auditor had difficulty in obtaining evidence which they considered sufficient and appropriate to assess the validity of the above assumptions and consequentially led to the Qualified Opinion. Thus, the Board did not express different view from that of the Auditor on the basis of the qualifications, as detailed below:–

(1) the Auditor is unable to assess the sufficiency of the impairment provision of RMB30.0 million on the receivables from Xiaoyi Dajieshan as at 31 December 2017 (the "Xiaoyi Dajieshan's receivable") since the Auditor is unable to assess the validity of the Equity Valuation, in which Assumption 1 and the Assumption 2 were adopted and was used for assessing the recoverable amount of Xiaoyi Dajieshan's receivables;

(2) the Auditor is unable to assess, at the date of acquisition, the fair value of the mining rights and other receivables of Shaanxi Jiahe acquired and the amount of the goodwill then generated from the acquisition (the "Acquired Assets") since the Auditor is unable to assess the validity of the valuation of the Acquired Assets, in which Assumption 1 and the Assumption 2 were adopted;

(3) the Auditor is unable to assess, as at 31 December 2018, the carrying amount of the mining rights of Shaanxi Jiahe as at 31 December 2018 (the "Mining Rights") since the Auditor is unable to assess the validity of the recoverable amount of the Mining Rights, in which Assumption 1 was adopted in valuing the recoverable amount of the Mining Rights; and

(4) the unresolved qualifications for the year ended 31 December 2017, which mainly arising from the valuation of the Equity Valuation that the Assumption 1 and the Assumption 2 were adopted, was brought forward from last year, and thus had possible effect on the comparability of the current year's figures and the corresponding figures.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The Group is also exposed to certain financial risk, including market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. Details of financial risks are set out in note 5 to the consolidated financial statements.

KEY FINANCIAL PERFORMANCE INDICATORS

An analysis of the Group's financial performance in terms of key indicators are set out in the section headed "Liquidity and Financial Review" under the "Management Discussion and Analysis" to this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

The Group was in compliance with all relevant PRC laws and regulations regarding environmental protection in all material respects and was not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the year. The Group is also committed to allocate operating and financial resources to ensure environment protection compliance as required by applicable PRC laws and regulations. As at 31 December 2018, the provision for close down, restoration and environmental costs was approximately RMB5.3million (2017: RMB3.2 million), details of which are set out in note 32 to the consolidated financial statements.

In accordance with Rule 13.91 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company will publish an environmental, social and governance ("ESG") report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

The Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Year. Save as the delay in publication of the annual results of the Group for the year ended 31 December 2017, and the interim results of the Group for the six months ended 30 June 2018, there was no material breach of or non-compliance with the applicable laws and regulations by the Group for the Year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

A full corporate governance report is set out on pages 33 to 43 of this annual report.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS AND OTHER STAKEHOLDERS

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

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

RESULTS AND DIVIDENDS

The Group's loss for the Year set out in the consolidated income statement and consolidated statement of comprehensive income on pages 51 and 52 and the state of affairs of the Group as at 31 December 2018 are set out in the consolidated balance sheet on pages 53 and 54.

The Directors do not recommend the payment of any dividend for the Year.

DISTRIBUTABLE RESERVES

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

Under the Companies Law of the Cayman Islands, the share premium account is distributable to Shareholders if immediately following the date on which the Company proposes to distribute the dividend, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2018, the Company had a reserve balance of approximately RMB291.9 million, representing share premium of approximately RMB668.8 million net of accumulated losses of approximately RMB376.9 million, available for distribution to the Shareholders.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 143. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in Note 29 to the consolidated financial statements. There was no movement in the Company's share capital during the year ended 31 December 2018.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's share during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 97.6% (2017: 100%) of the total sales for the Year and sales to the largest customer included therein amounted to 41.4% (2017: 57.6%) of the total sales. In 2018, the purchases from Group's five largest suppliers and the largest supplier accounted for 96.6% and 31.1% of the total purchases, which solely contributed by the Group's new trading business during the year, respectively. In 2017, the purchases from Group's five largest suppliers and the largest supplier accounted for 54.3% and 24.5% of the total purchases, which mainly represented the sub-contracting services of the Group's engineering services business and was netted against with the revenue, respectively.

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

DIRECTORS

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

Executive Directors:

Mr. Li Xiaobin	(resigned on 11 March 2019)
Mr. Liu Huijie	
Ms. Jia Dai	(resigned on 13 February 2019)
Ms. Wang Qian	
Mr. Zhou Jianzhong	(appointed on 11 March 2019)

Independent non-executive Directors:

Ms. Xiang Siying *(Chairman)*	
Mr. Cao Shiping	(resigned on 11 March 2019)
Ms. Sun Zhili	(resigned on 19 October 2018)
Ms. Huang Mei	(appointed on 19 October 2018)
Mr. Chan Ping Kuen	(appointed on 11 March 2019)

In accordance with the Company's articles of association, (i) Directors appointed shall hold office until the forthcoming annual general meeting and eligible for re-election and (ii) at each annual general meeting one-third of Directors shall retire from office by rotation. Mr. Zhou Jianzhong, Mr. Chan Ping Kuen and Mr. Liu Huijie will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 18 to 21.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The remuneration of the Directors are determined by the remuneration committee of the Company with reference to the Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in the note 15 to the consolidated financial statements.

PERMITTED INDEMNITY

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

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

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

As at 31 December 2018, none of the Directors or the chief executives of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

EQUITY LINKED AGREEMENTS

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

Share Option Scheme

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

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

The maximum number of shares issued and to be issued upon exercise of the share options granted to each participant under the Share Option Scheme in any 12 month period must not exceed 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders' approval. Each grant of share options to any director, chief executives or substantial Shareholder (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the share options). Where any grant of share options to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, in excess of 0.1% of the shares in issue or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12 month period, are subject to Shareholders' approval in advance in a general meeting.

The amount payable on acceptance of an option is HK$1.00, which must be paid within 14 days from the date on which the letter containing the offer of option is delivered to that participant. The period within which the share options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant date of grant. The Share Option Scheme does not contain the minimum period for which an option must be held before it can be exercised.

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

The Company has not granted any share option under the Share Option Scheme during the Year. There was no outstanding share option as at 31 December 2018.

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

CONTRACT OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

PERSONS WHO HAVE AN INTEREST IN SHARES AND UNDERLYING SHARES

So far as was known to the Directors and the chief executive of the Company, as at 31 December 2018, the following persons (not being Directors or chief executive of the Company of which interests were disclosed above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

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

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

Notes:

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

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

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

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

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

Save as disclosed above, as at 31 December 2018, the Directors and the chief executive of the Company were not aware of any other person who had, or was deemed to have, interests and/or short positions in the shares or underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 44 to the consolidated financial statements.

AUDITORS

With effect from conclusion of the annual general meeting on 30 January 2019, PricewaterhouseCoopers retired as the auditors of the Company and BDO Limited was appointed as auditors of the Company. The consolidated financial statements have been audited by BDO Limited. BDO Limited will retire and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of BDO Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Xiang Siying
Chairman

Hong Kong, 29 March 2019

REPORT ON CORPORATE GOVERNANCE

INTRODUCTION

The Company is committed to maintain a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Stock Exchange") (the "Listing Rules") during the year ended 31 December 2018 (the "Year") except for provisions A.2.1, A.4.1 of the Code as explained in this Corporate Governance Report (the "CG Report").

DIRECTORS' SECURITIES TRANSACTIONS

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

SECURITIES TRANSACTIONS BY RELEVANT EMPLOYEES

The Board has also adopted a policy with no less exacting terms than the Model Code for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in securities of the Company. Having made specific enquiry with all Relevant Employees, each of them confirmed that this policy has been complied in full throughout the Year.

BOARD OF DIRECTORS

As at 31 December 2018, the board of Directors (the "Board") comprises seven Directors including four executive Directors and three independent non-executive Directors. At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. The biographical details of the Directors are set out on pages 18 to 21 to this annual report.

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

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

The Directors have no financial, business, family or other material/relevant relationship among themselves, except or those disclosed in the biographical details of the Directors which are set out on pages 18 to 21 to this annual report.

The Board complied with Rule 3.10A of the Listing Rules to appoint at least one-third of its Directors as independent non-executive Directors. The Company has received the annual confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors, namely Mr. Cao Shiping, Ms. Xiang Siying and Ms. Huang Mei, to be independent of the Company during the Year. The Company has also received an confirmation of independence from Mr. Chan Ping Kuen as required under Rule 3.13 of the Listing Rules upon his appointment as independent non-executive Director on 11 March 2019.

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

DIRECTORS' ATTENDANCE AT MEETINGS

Regular Board meetings are held at least four times a year to review the financial and operating results of the Group and to propose interim and final dividends, if appropriate. A meeting is also held as and when necessary to discuss significant matters. Sufficient notice of not less than 14 days has been given to all Directors for regular Board meetings and reasonable notice has been given for other meetings. All Directors are given an opportunity to include matters in the agenda for Board meetings and have access to the company secretary of the Company (the "Company Secretary") to ensure that all board procedures and all applicable rules and regulations are followed. The Board also enables Directors to seek independent professional advice at the Company's expense in appropriate circumstances.

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

	Attended/Eligible to attend				
	Board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	General meeting
Executive directors:					
Mr. Li Xiaobin (Chairman, resigned on 11 March 2019)	19/20	N/A	N/A	N/A	1/1
Mr. Liu Huijie	8/20	N/A	N/A	N/A	0/1
Ms. Jia Dai (resigned on 13 February 2019)	19/20	N/A	N/A	N/A	1/1
Ms. Wang Qian	13/20	N/A	1/1	1/1	1/1
Independent non-executive directors:					
Mr. Cao Shiping (resigned on 11 March 2019)	14/20	2/2	N/A	N/A	1/1
Ms. Sun Zhili (resigned on 19 October 2018)	13/14	1/1	0/0	0/0	0/0
Ms. Xiang Siying (appointed as Chairman on 11 March 2019)	18/20	2/2	1/1	1/1	0/1
Ms. Huang Mei (appointed on 19 October 2018)	6/6	1/1	1/1	1/1	0/1

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the Year, Mr. Li Xiaobin was the chairman of the Company (the "Chairman") while the duties of chief executive officer has been taken up by other executive Directors and senior management of the Company. On 11 March 2019, Mr. Li Xiaobin resigned as the executive Director and the Chairman and Ms. Xiang Siying, an independent non-executive Directors was then appointed as the Chairman.

The Board considers that the structure did not impair the balance of power and authority between the Board and the management of the Group, which was ensured by the operations of the board committees which comprise experienced and high calibre individuals.

TERM OF NON-EXECUTIVE DIRECTORS

Under provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term, subject to re-election. Except for Mr. Chan Ping Kuen is appointed for a term of three years, other independent non-executive Directors are not appointed for a specific term but all of them are subject to retirement by rotation in accordance with the Articles of Association of the Company. The Board considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those in the Code.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the Year is set out below:

Remuneration bands	Number of persons
Up to HK$1,000,000 (up to approximately RMB842,500 equivalents)	3
HK$1,000,001 and above (approximately RMB842,500 equivalents and above)	1

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 16 December 2011 with written terms of reference which are in line with the code provisions set out in the Code. The Audit Committee meets at least twice a year for reviewing the reporting of annual and interim results and other information to the Shareholders, and the effectiveness and objectivity of the audit process. Additional meetings may be held by the Audit Committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The external auditors of the Company (the "External Auditors") may request a meeting if they consider that one is necessary. The Audit Committee also provides an important link between the Board and the Company's External Auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the External Auditors. During the Year, the Audit Committee currently consists of Ms. Huang Mei as chairman and Mr. Cao Shiping and Ms. Xiang Siying as members. All of them are independent non-executive Directors. On 11 March 2019, Mr. Cao Shiping resigned as the member of the Audit Committee, and Mr. Chan Ping Kuen, an independent non-executive Director, was then appointed as the member of the Audit Committee.

The Audit Committee is also responsible for performing the functions set out in the provision D.3.1 of the Code.

During the Year, the Audit Committee had performed the works as follows:

1. reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management;

2. reviewed the Company's policies and practices on compliance with legal and regulatory requirements;

3. reviewed the code of conduct and compliance manual (if any) applicable to employees and Directors;

4. reviewed the compliance of the Listing Rules, and the Company's compliance with the Code and disclosure in this CG Report;

5. reviewed the reports from the External Auditors, accounting principles and practices adopted by the Group in relation to the annual results for the year ended 31 December 2017 and the interim results for the six months ended 30 June 2018;

6. reviewed the financial reports for the year ended 31 December 2017 and for the six months ended 30 June 2018 and recommended the same to the Board for approval;

7. concurred with the Board regarding the selection, appointment, resignation or dismissal of the External Auditors;

8. reviewed the Group's internal control based on the information obtained from the external risk management and internal control review advisor of the Company (the "IC Advisor") and Company's management and Audit Committee was of the opinion that there are adequate internal controls in place in the Group; and

9. reviewed the financial reporting system, compliance procedures, risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function).

The Audit Committee has reviewed with the management and the External Auditors, the audited consolidated financial statements of the Group for the Year. The Audit Committee reviewed the Group's audited results for the Year and recommended its adoption to the Board.

Audit Committee's view on the Qualified Opinion

The Audit Committee had a meeting with the External Auditors to understand the assumptions adopted that gave rise to the qualified opinion as disclosed in the independent auditor's report (the "Auditor's Report") under "Basis of Qualified Opinion" (the "Qualified Opinion") and detailed in the section headed "Board's view on the Qualified Opinion" in the "Report of the Directors" ("Assumptions") and the Board's view on the Qualified Opinion. The Audit Committee also shared the views of the Board on both the Assumptions and the Qualified Opinion as discussed in page 22 of the Annual Report.

Having considered the current status of implementation of the measures by the Company as discussed in the last paragraph of the headline "the Valuation" on page 10 to the annual report (the "Measures") to address the External Auditors' concerns, the Audit Committee is of the view that the Measures are adequate for addressing the External Auditors' concerns and as long as such concerns are resolved based on the Measures, the audit qualifications are expected not be carried forward to the year ending 31 December 2019.

REMUNERATION COMMITTEE

A remuneration committee (the "Remuneration Committee") of the Group was established on 16 December 2011 with written terms of reference in line with the Code. The responsibilities of the Remuneration Committee include considering and recommending to the Board the Group's remuneration policy and structure and reviewing and determining the remuneration packages of the Directors and senior management. The Directors were remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. Details of remunerations of the Directors for the Year are disclosed in note 15 to the consolidated financial statements.

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

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") of the Group was established on 16 March 2011 with written terms of reference in line with the Code. The main responsibilities of the Nomination Committee include:

1. review and recommend the structure, size, composition and skills mix of the Board at least annually;

2. identify and nominate candidates to fill casual vacancies of Directors for the Board's approval;

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

4. make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executives.

According to the board diversity policy adopted by the Nomination Committee, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board.

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

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2018, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Auditor's Responsibilities and Remuneration

An analysis of remuneration in respect of services provided by the External Auditors of the Group, BDO Limited, is as follows:

	RMB'000
Audit services	1,200

An analysis of remuneration in respect of services provided by the Retired Auditors of the Group, Pricewaterhouse Coopers is as follows:

	RMB'000
Other services	1,000

The statement of the External Auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 44 to 50 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Risk Identification

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

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and

- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

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

Risk Monitoring and Reporting

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

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

- established one internal compliance officer (the "Internal Compliance Officer"), Mr. Ip Wing Wai ("Mr. Ip"), the former company secretary of the Company (the "Company Secretary") and former chief financial controller of the Company, during the Year. Mr. Ip resigned from his office as Company Secretary and the chief financial controller with the effect from 13 February 2019. Mr. Yau Hong Chun ("Mr. Yau"), the Company Secretary and financial controller of the Company will, take into consideration information provided by the Company's advisors, report to the Board directly from time to time to assist the Board in ensuring that operations of the Group are in compliance with applicable laws, rules and regulations, to strengthen the existing internal control framework and to recommend remedial plans to the Board should there be any internal control deficiencies;
- engaged a PRC legal advisor to provide advice to the Board and the Company Secretary on an ongoing basis in respect of all relevant PRC laws and regulations, including changes to such laws and regulations, which may affect business operations of the Group in the PRC;
- engaged a HK legal advisor to advise the Company on an ongoing basis in respect of the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong); and

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

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

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

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

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

DIRECTORS' TRAINING

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

BOARD DIVERSITY POLICY

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Board and the Nomination Committee has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board (the "Board Diversity Policy"). Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities. The Company also takes into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board. Nomination Committee has considered measurable objectives based on four focus areas: gender, age, professional experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

DIRECTOR NOMINATION POLICY

Director nomination policy of the Group (the "Director Nomination Policy") is in place and sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board. Ms. Huang Mei was nominated for directorship during the Year.

DIVIDEND POLICY

Policy on payment of dividend of the Company is in place setting out the factors in determination of dividend payment of the Company, the Company's long-term earning capacity and expected cash inflow and outflow, the frequency and form of dividend payments. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

COMPANY SECRETARY

During the year ended 31 December 2018, Mr. Ip Wing Wai, the then Company Secretary, has taken no less than 15 hours of relevant professional training. On 13 February 2019, Mr. Ip has resigned as the Company Secretary and Mr. Yau was appointed as the Company Secretary thereafter.

Biographical details of Mr. Yau are set out in the section headed "Profiles of Directors and Senior Management" in this annual report.

SHAREHOLDERS' RIGHTS

The Board endeavours to maintain an on-going dialogue with Shareholders. The Company encourages the Shareholders to attend the general meetings and the chairmen of the Board and the board committees should attend the annual general meeting to answer questions.

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

In accordance with the requirements and procedures set out in the Articles of Association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. A Shareholder who wishes to propose a resolution to be considered at a general meeting must requisition the convening of a general meeting in accordance with the Company's Articles of Association. The objects of the meeting must be stated in the written requisition, which must be signed by the requisitionists and deposited for the attention of the Company Secretary at the address stated above.

INVESTOR RELATIONS

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

There was no change in the Company's constitutional documents during the Year.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HUILI RESOURCES (GROUP) LIMITED
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Huili Resources (Group) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 51 to 142, which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated income statement, the consolidated statement of 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As further described in Note 27(c) and Note 39(a) to the consolidated financial statements, the Group acquired 100% equity interests in Shaanxi Jiahe Mineral Exploiture Limited ("Shaanxi Jiahe") from Xiaoyi Dajieshan Coal Industry Company Limited ("Xiaoyi Dajieshan") in May 2018, which was satisfied by the carrying amount of the outstanding receivable from Xiaoyi Dajieshan. In determining the fair value of the consideration, management has adopted the following key assumptions:

1. The title of the mining rights of Mine 2 will be transferred to Shaanxi Jiahe at no additional charges and, if so, Mine 2 will meet the legal requirements to commence commercial operation by 30 September 2020 ("Assumption 1"); and

2. Shaanxi Jiahe's other receivables due from certain independent third parties amounted to RMB17,770,000 will be fully recoverable in the near future through certain offsetting arrangement.

As a result of the acquisition of the 100% equity interests in Shaanxi Jiahe, goodwill of approximately RMB1,115,000 was recorded upon the date of acquisition.

The 100% equity interests in Shaanxi Jiahe acquired from Xiaoyi Dajieshan was used to settle the amount due from Xiaoyi Dajieshan of RMB52,600,000 and as a result, the Group set aside an impairment provision of approximately RMB30,041,000 against the receivable balance during the year ended 31 December 2017, being the difference between carrying amount of receivable balance of RMB52,600,000 and the aggregated amount of the fair value of 100% equity interests in Shaanxi Jiahe of approximately RMB13,159,000 and amount due from Shaanxi Jiahe to the Group of RMB9,400,000.

BASIS FOR QUALIFIED OPINION (Continued)

During the year ended 31 December 2018, impairment provisions of approximately RMB10,207,000, RMB17,770,000 and RMB1,115,000 were made on the carrying amounts of the above-mentioned mining rights, other receivables and goodwill, respectively. When determining the recoverable amount of the mining rights as at 31 December 2018, management continued to adopt Assumption 1 as management considered there have been no material changes on operations of Shaanxi Jiahe and the assumptions should remain unchanged.

Management could not provide sufficient and appropriate evidence for us to assess the above-mentioned key assumptions that are essential to determine the fair value of the 100% equity interests in Shaanxi Jiahe at the date of acquisition and recoverable amount of the mining rights as at 31 December 2018, as appropriate. There were no alternative procedures that we could perform to satisfy ourselves with respect to the validity of the above two key assumptions. Consequently,

a. we were unable to assess the sufficiency of the impairment provision of RMB30,041,000 on the receivable from Xiaoyi Dajieshan as at 31 December 2017. This would have a consequential effect on accumulated losses as at 1 January 2018 and the financial performance for the year ended 31 December 2018, as we were unable to determine whether any adjustment to accumulated losses as at 1 January 2018 and the financial performance for the year ended 31 December 2018 was necessary;

b. we were unable to assess, as at the date of acquisition, the fair value of the aforementioned mining rights and other receivables acquired and the amount of goodwill generated from the acquisition. These would have a consequential effect on the financial performance for the year ended 31 December 2018, as we were unable to determine whether any adjustment to the impairment provisions against the carrying amounts of these assets as at 31 December 2018 was necessary; and

c. we were unable to assess, as at 31 December 2018, the carrying amount of the aforementioned mining rights. This would have a consequential effect on the financial performance for the year ended 31 December 2018, as we were unable to determine whether any adjustment to the impairment provision against the carrying amount of the mining rights as at 31 December 2018 was necessary.

Besides, the predecessor auditor encountered similar limitation of scope during the course of their audit of the Group's consolidated financial statements for the year ended 31 December 2017 in relation to (1) the recoverable amount of the receivable from Xiaoyi Dajieshan as at 31 December 2017 and (2) the impairment provision against the aforesaid receivable for the year then ended. This unresolved limitation of scope brought forward from last year would have a possible effect on the comparability of the current year's figures and the corresponding figures.

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

KEY AUDIT MATTERS

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

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

Impairment of the mining rights and mining structures

Refer to Note 6, Note 17 and Note 16 to the consolidated financial statements.

The mining rights and mining structures are the assets from Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua"), Hami Jiatai Mineral Resource Exploiture Limited ("Hami Jiatai") and Shaanxi Jiahe, which are subsidiaries of the Company with principal activity of mining and processing of metal ore. Management appointed independent valuers to carry out the valuation of the recoverable amounts of each of the cash-generating units ("CGUs") of Hami Jinhua, Hami Jiatai and Shaanxi Jiahe including their mining rights, mining structures, land use rights and other property, plant and equipment as at 31 December 2018. The recoverable amounts were determined based on the value-in-use calculation of each of the CGUs. Consequently, management recognised accumulated impairment losses on mining rights and mining structures on Hami Jiatai and Shaanxi Jiahe in amount of RMB59,107,000 and RMB10,207,000, respectively, for the year ended 31 December 2018. No impairment loss was needed for Hami Jinhua.

The calculation of value-in-use involved significant management judgement with respect to the key assumptions, such as pre-tax discount rate, estimated metal price, time to restart production and inflation rate.

We identified the impairment of the mining rights and mining structures as a key audit matter due to the significance of assets and the complexity of management judgements required in determining the impairment provision for the assets.

Our response:

Our procedures in relation to management's impairment assessment of the mining rights and mining structures as at 31 December 2018:

- Inquiring management and considering the impairment indicators to assess the scope within which impairment testing was performed;

- Inquiring with the independent valuers and assessing the appropriateness of the valuation model, in particular, discount rate, growth rate, and the budgeted gross margin, with the assistance of our internal valuation expert. We assessed the competence and objectively of the independent valuers;

KEY AUDIT MATTERS (Continued)

Impairment of the mining rights and mining structures (Continued)

Our response: (Continued)

- Challenging the reasonableness of the key assumptions based on our knowledge of the business and industry;

- Evaluating the assumptions, taking into account the historical accuracy of the Group's cash flow projection, by comparing the forecasts with the historical performance;

- Testing the mathematical accuracy of the calculation of the valuation models;

- Assessing the adequacy of the sensitivity analysis performed by management;

- Reconciling input data to supporting evidence, such as the forecast, production report, and considered the reasonableness; and

- Reviewing the management's approval of production plan and interview management and the independent technical adviser to assess the economic and technical feasibility of the production plan.

Impairment of provision of trade and other receivables

Refer to Note 6, Note 26 and Note 27 to the consolidated financial statements.

The adoption of HKFRS 9 "Financial Instruments" has fundamentally changed the Group's accounting for impairment losses on financial assets by replacing HKAS 39's incurred losses approach with a forward-looking expected credit losses approach. The measurement of expected credit loss requires the application of significant judgement and increases complexity. It includes the identification of exposures with a significant deterioration in credit quality, and assumptions used in the expected credit losses models (for exposures assessed individually or collectively), such as expected future cash flows and forward-looking factors.

We identified the measurement of impairment losses of financial assets under expected credit losses approach as a key audit matter due to the estimation of expected credit losses involves significant uncertainty inherent and judgements by management.

Our response:

Our audit procedures in relation to the management's assessment for impairment of provision of trade and other receivables as at 31 December 2018:

- Checking, on a sample basis, whether items in the trade and other receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant supporting documents;

- Checking, on a sample basis, the past repayment history and historical write-off experience; and assessing customers' and debtors' creditworthiness by reference to their financial information, where available;

KEY AUDIT MATTERS (Continued)

Impairment of provision of trade and other receivables (Continued)

Our response: (Continued)

– Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances;

– Inspecting cash receipts from customers after the year-end relating to balances as at 31 December 2018, on a sample basis, to assess the reasonableness of the expected credit losses provided by management; and

– Reviewing the Group's assumptions on the expected future cash inflows arising from the trade and other receivables based on the available market information.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "Audit Committee") assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed a qualified opinion on those consolidated financial statements on 10 December 2018.

BDO Limited
Certified Public Accountants

Alfred Lee
Practising Certificate Number P04960

Hong Kong, 29 March 2019

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000 (Restated)
Revenue	7, 8	32,828	22,845
Cost of sales		(24,012)	(7,731)
Gross profit		8,816	15,114
Administrative expenses		(28,306)	(56,453)
Expected credit losses on financial assets		(16,955)	–
Other operating losses		(27,386)	(6,137)
Other gains – net	11	14,350	732
Operating loss		(49,481)	(46,744)
Finance income	12	1,544	493
Finance costs	12	(288)	(106)
Finance income – net	12	1,256	387
Loss before income tax	9	(48,225)	(46,357)
Income tax credit/(expense)	13	4,695	(1,829)
Loss for the year		(43,530)	(48,186)
Loss for the year attributable to:			
Equity holders of the Company		(41,269)	(46,129)
Non-controlling interests		(2,261)	(2,057)
Loss for the year		(43,530)	(48,186)
Loss per share attributable to the equity holders of the Company			
– Basic and diluted	14	RMB(2.5) cents	RMB(2.8) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000 (Restated)
Loss for the year		(45,350)	(48,186)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Available-for-sale financial assets			
– Reclassified to profit or loss upon disposal		–	(5,057)
Other comprehensive loss for the year, net of tax		–	(5,057)
Total comprehensive loss for the year		(45,350)	(53,243)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		(41,269)	(51,186)
Non-controlling interests		(2,261)	(2,057)
Total comprehensive loss for the year		(45,350)	(53,243)

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	16	68,171	61,516
Mining rights and exploration rights	17	88,867	94,539
Land use rights	18	8,613	8,856
Deferred tax assets	21	2,823	2,823
Restricted cash at banks	22	2,653	2,648
Loan receivable	23	–	100,000
Other receivables and prepayments	27	–	46,559
Total non-current assets		171,127	316,941
Current assets			
Inventories	24	3,019	3,045
Financial assets at fair value through other comprehensive income ("FVOCI")	25	2,300	–
Trade receivables	26	11,358	8,975
Loan receivable	23	98,856	–
Other receivables and prepayments	27	68,381	171,834
Cash and cash equivalents	28	167,923	54,410
Total current assets		351,837	238,264
Total assets		522,964	555,205
LIABILITIES			
Non-current liabilities			
Provision for close down, restoration and environmental costs	32	5,307	3,233
Deferred tax liabilities	21	17,992	22,960
Total non-current liabilities		23,299	26,193

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000 (Restated)
Current liabilities			
Trade payables	33	7,610	12,226
Other payables and accruals	35	43,890	21,029
Current tax liabilities		5,224	4,101
Borrowings	34	2,200	1,000
Total current liabilities		58,924	38,356
Total liabilities		82,223	64,549
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	137,361	137,361
Share premium	29	668,768	668,768
Other reserves	30	(12,168)	(12,168)
Accumulated losses	31	(349,856)	(302,225)
		444,105	491,736
Non-controlling interests		(3,364)	(1,080)
Total equity		440,741	490,656
Total equity and liabilities		522,964	555,205

The consolidated financial statements on pages 51 to 142 were approved by the board of directors on 29 March 2019 and were signed on its behalf.

Xiang Siying
Director

Zhou Jianzhong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to equity holders of the Company									
	Share capital RMB'000 (Note 29)	Share premium RMB'000 (Note 29)	Safety fund RMB'000 (Note 30)	Maintenance fund RMB'000 (Note 30)	Capital reserve RMB'000 (Note 30)	Available-for-sale financial assets reserve RMB'000 (Note 30)	Accumulated losses RMB'000 (Note 31)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	137,361	668,768	221	1,583	(13,972)	5,057	(256,096)	542,922	977	543,899
Loss for the year	–	–	–	–	–	–	(46,129)	(46,129)	(2,057)	(48,186)
Transfer of loss on disposal to profit or loss upon the disposal of available-for-sale financial assets	–	–	–	–	–	(5,057)	–	(5,057)	–	(5,057)
Total comprehensive loss	–	–	–	–	–	(5,057)	(46,129)	(51,186)	(2,057)	(53,243)
At 31 December 2017 and 1 January 2018	137,361	668,768	221	1,583	(13,972)	–	(302,225)	491,736	(1,080)	490,656
Impact on initial application of HKFRS 9 (Note 2(a)A)	–	–	–	–	–	–	(6,362)	(6,362)	(23)	(6,385)
At 1 January 2018, restated	137,361	668,768	221	1,583	(13,972)	–	(308,587)	485,374	(1,103)	484,271
Loss for the year	–	–	–	–	–	–	(41,269)	(41,269)	(2,261)	(43,530)
Total comprehensive loss	–	–	–	–	–	–	(41,269)	(41,269)	(2,261)	(43,530)
At 31 December 2018	137,361	668,768	221	1,583	(13,972)	–	(349,856)	444,105	(3,364)	440,741

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000 (Restated)
Loss before income tax		(48,225)	(46,357)
Adjustments for:			
Depreciation of property, plant and equipment	16	3,490	3,281
Amortisation of land use rights	18	243	243
(Gain)/loss on disposal of property, plant and equipment	11	(167)	484
Net gains upon disposal on available-for-sale financial assets		–	(3,747)
Finance costs	12	288	106
Finance income	12	(1,544)	(493)
Bargain purchase from acquisition of a subsidiary	39(b)	–	(523)
Impairment loss on goodwill	19	1,115	–
Impairment loss on property, plant and equipment	16	2,153	–
Expected credit losses on financial assets	9	16,955	–
Impairment loss on other receivables	9	–	31,705
Impairment loss on mining structures and mining rights	16,17	24,118	6,137
Cash used in operations before working capital changes		(1,574)	(9,164)
Decrease in inventories		26	–
Increase in trade receivables		(2,541)	(8,875)
Decrease in other receivables and prepayments		115,205	298,590
Decrease in trade and other payables and accruals		(5,276)	(300,490)
Increase in restricted cash at banks		(5)	(123)
Increase in financial assets at FVOCI		(2,300)	–
Cash generated from/(used in) operations		103,535	(20,062)
Income tax paid		(265)	(2,026)
Net cash generated from/(used in) operating activities		103,270	(22,088)
Cash flows from investing activities			
Net proceeds from disposal of available-for-sale financial assets after netting off the borrowings		–	68,016
Net cash inflow from acquisition of subsidiaries	39	2	764
Purchase of property, plant and equipment	16	(2,865)	(2,612)
Proceeds from disposal of property, plant and equipment		1,904	–
Interest received		1,544	493
Net cash generated from investing activities		585	66,661

	Note	2018 RMB'000	2017 RMB'000 (Restated)
Cash flows from financing activities			
Proceeds from borrowings	34	1,200	1,000
Interest paid		(175)	(100)
Net cash generated from financing activities		1,025	900
Net increase in cash and cash equivalents		104,880	45,473
Cash and cash equivalents at beginning of financial year		54,410	8,970
Exchange differences on cash and cash equivalents		8,633	(33)
Cash and cash equivalents at end of financial year	28	167,923	54,410

1 GENERAL INFORMATION

Huili Resources (Group) Limited (the "Company") was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands in preparation for a listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 12 January 2012. The principal place of business of the Company is located at Room 2805, 28/F, Harbour Centre, No.25 Harbour Road, Wan Chai, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively the "Group") are principally engaged in the mining, ore processing, sales of gold, nickel, copper, lead and zinc products, financial services, engineering and other related services in the People's Republic of China (the "PRC"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal activities of its subsidiaries are set out in note 20.

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

These consolidated financial statements have been approved and authorised for issue by the board of directors (the "Board") on 29 March 2019.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 40	Transfers of Investment Property
Annual Improvement to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investment in Associate and Joint Ventures
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 (Continued)

A. *HKFRS 9 – Financial Instruments*

HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018, bringing together all four aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; (3) hedge accounting and (4) transition.

The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition are recognised in the opening accumulated losses of the current year.

(i) Classification and measurement of financial instruments

On 1 January 2018 (the date of initial application of HKFRS 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 financial assets at amortised cost. The adoption of HKFRS 9 did not have material impact on the classification and measurement of the Group's financial assets and liabilities.

The following accounting policies would be applied to the Group's financial assets as follows:

Financial assets at amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 (Continued)

A. HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarizes the impact of the classification and measurement of financial instruments as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 RMB'000	Carrying amount as at 1 January 2018 under HKFRS 9 RMB'000
Trade receivables	Loans and receivables	Amortised cost	8,975	8,871
Loan receivable	Loans and receivables	Amortised cost	100,000	98,951
Other receivables	Loans and receivables	Amortised cost	214,486	209,254
Cash and cash equivalents	Loans and receivables	Amortised cost	54,410	54,410
Restricted cash at banks	Loans and receivables	Amortised cost	2,648	2,648

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 (Continued)

A. HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for financial assets at amortised cost including trade receivables, financial assets at FVOCI, loan receivable and other receivables earlier than HKAS 39. Financial assets at FVOCI, restricted cash at banks and cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs; these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

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 assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit losses experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 (Continued)

A. HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

For loan receivable, other receivables and financial assets at FVOCI, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the 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. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's loan receivable is considered to have low credit risk since there was no recent history of default of the debtor and it has good settlement record with the Group.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due for trade and other receivables and more than 30 days past due for loan receivable.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due for trade and other receivables and more than 90 days past due for loan receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For financial assets at FVOCI, the loss allowances is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 (Continued)

A. HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECLs model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined as follows for trade receivables:

1 January 2018	Current	More than 90 days past due	More than 365 days past due	Total
Expected credit loss rate (%)	1.16	–	–	1.16
Gross carrying amount (RMB'000)	8,975	–	–	8,975
Loss allowance (RMB'000)	104	–	–	104

The increase in loss allowances for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were approximately RMB104,000. The loss allowances further increased by approximately RMB54,000 for trade receivables during the year ended 31 December 2018.

(b) Impairment of loan receivable

The Group's loan receivable is considered to have low credit risk, and the loss allowances recognised during the period was therefore limited to 12-month ECLs.

The increase in loss allowances for loan receivable upon the transition to HKFRS 9 as of 1 January 2018 were approximately RMB1,049,000. The loss allowances further increased by approximately RMB95,000 for loan receivable during the year ended 31 December 2018.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 (Continued)

A. HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

(c) Impairment of other receivables

Other financial assets at amortised cost of the Group include other receivables. Applying the ECLs model resulted in the recognition of ECLs of approximately RMB5,232,000 on 1 January 2018 and further increased by approximately RMB16,806,000 during the year ended 31 December 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss ("FVTPL"); and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 (Continued)

B. HKFRS 15 - Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. Based on the assessment of the Group, the adoption of HKFRS 15 from 1 January 2018 has resulted in changes of accounting policies of the Group. However, there is no significant impact on the timing and amounts of revenue recognition of the Group under HKFRS 15 and no adjustments to the opening balance of equity at 1 January 2018 have been made.

Revenue from sale of goods is recognised at a point in time as when the control of the goods has been transferred to the customers and there is no unfulfilling performance obligation after the acceptance of the goods. Engineering service fees are recognised when the relevant services are provided to the customers and there is no unfulfilling performance obligation after the service rendering.

Upon the adoption of HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognise a contract asset. No contract asset is recognised upon transition and at the end of reporting period. If the Group does not satisfy any performance obligation but the Group has an unconditional right to consideration, the Group should recognise contract liabilities. No contract liability is recognised upon transition and at the end of reporting period.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 (Continued)

C. Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on the consolidated financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this year.

D. HK (IFRIC) – Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on the consolidated financial statements as the Group has not paid or received advance consideration in a foreign currency.

E. Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these consolidated financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

F. Annual Improvements to HKFRSs 2014-2016 Cycle - Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these consolidated financial statements as the Group is not a venture capital organisation.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2019

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately RMB4,902,000 (see note 38(b)). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's results and classification of cash flows.

HK (IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12 "Income Taxes" by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met – instead of at FVTPL.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

3 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at FVOCI, which are measured at fair value as explained in the accounting policies set out below.

(c) Functional and presentation currency

The functional currency of the Company is RMB. The consolidated financial statements are presented in RMB since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Principles of consolidation

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 4.2).

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Business combinations

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

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

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

The excess of the:

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Separate financial statements

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

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

4.4 Segment reporting

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

4.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to other receivables, cash and cash equivalents and other payables are presented in the consolidated income statement on a net basis within other gains – net.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

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

(iii) Group companies

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

- assets and liabilities are translated at the closing rate at the date of consolidated balance sheet;

- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Property, plant and equipment

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

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

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

Buildings	20 years
Leasehold improvements	Over the remaining life of the leases but not exceeding 5 years
Machinery and equipment	10 years
Office equipment and others	3 to 7 years
Motor vehicles	4 to 6 years

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4.10).

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Goodwill

Goodwill is measured as described in Note 4.10. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

4.8 Land use rights

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

4.9 Mining rights and exploration rights

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

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

4.10 Impairment of non-financial assets

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 (A) Financial instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

– Financial assets at amortised cost; and

– Financial assets at FVOCI.

The classification is generally based on two criteria:

– the business model under which the financial asset is managed; and

– the contractual cash flow characteristics of the financial asset.

Measurement

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

The subsequent measurement of financial assets at amortised cost as follows:

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

– Amortised cost: Financial assets that are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 (A) Financial instruments (accounting policies applied from 1 January 2018) (Continued)

(i) *Financial assets (Continued)*

Debt instruments (Continued)

- FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

(ii) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose of which the liabilities were incurred. Financial liabilities at amortised cost initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, provision for close down, restoration and environmental costs, and borrowings, are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost using the effective interest method.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(iv) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) *Derecognition*

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 (B) Financial instruments (accounting policies applied until 31 December 2017)

The Group has applied HKFRS 9 retrospectively but has elected not to restate comparative information. Accordingly, the comparative financial information provided continued to be accounted for in accordance with the Group's previous accounting policy.

(i) Classification

The Group classifies its financial assets in the following categories:

- loans and receivables; and
- available-for-sale financial assets

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

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

(ii) Recognition and derecognition

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 (B) Financial instruments (accounting policies applied until 31 December 2017) (Continued)

(iii) Measurement

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

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

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

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

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

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

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

4.12 (A) Impairment of financial assets (accounting policies applied from 1 January 2018)

The Group assesses the ECLs associated with its financial assets carried at amortised cost (including trade receivables, loan receivable, other receivables, restricted cash at banks and cash and cash equivalents) and debt instruments measured at FVOCI on a forward looking basis.

ECLs are a probability-weighted estimate of credit losses which are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive) over the expected life of the financial instrument. The maximum period to consider when measuring ECLs is the maximum contractual period over which the entity is exposed to credit risk.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 (A) Impairment of financial assets (accounting policies applied from 1 January 2018) (Continued)

ECLs are measured at the end of each reporting period to reflect changes in the debt instrument's credit risk since initial recognition. Any change in the amount of ECLs is recognised as an impairment gain or loss in profit or loss. Loss allowances for debt instruments measured at amortised cost are deducted from the gross carrying amount of the assets. For debt instruments at FVOCI, loss allowances is recognised in other comprehensive income and accumulated in fair value reserve (recycling), instead of reducing the carrying amount of the financial assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

For trade receivables, the Group applies a simplified approach to measure the loss allowances at an amount equal to lifetime ECLs. The Group has established a provision matrix based on the Group's historical credit losses experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of the reporting period.

For financial assets at FVOCI, loan receivable and other receivables, the Group measures the loss allowances either based on 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group's loan receivable at amortised cost is considered to have low credit risk since there was no recent history of default of the debtor and it had good settlement record with the Group.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due for trade and other receivables and more than 30 days for loan receivable.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due for trade and other receivables and more than 90 days past due for loan receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowances) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 (B) Impairment of financial assets (accounting policies applied until 31 December 2017)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

Impairment testing of loan receivable, trade receivables and other receivables are described in Notes 23, 26 and 27, respectively.

Assets classified as available-for-sale

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Inventories

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

4.14 Trade receivables

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 4.11 for further information about the Group's accounting for trade receivables and Note 4.12 for a description of the Group's impairment policies.

4.15 Cash and cash equivalents

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

4.16 Share capital

Ordinary shares are classified as equity.

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Trade payables

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

4.18 Borrowings and borrowing costs

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

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Employee benefits

(i) Short-term obligations

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

(ii) Pension obligations

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

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

(iii) Housing benefits

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

4.21 Provisions

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.22 Revenue recognition

(A) Accounting policies applied from 1 January 2018

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, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates or enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.22 Revenue recognition (Continued)

(A) *Accounting policies applied from 1 January 2018 (Continued)*

(i) Sales of mining products

Income from sales of mining products is recognised at a point in time when the goods are delivered to customers and title has passed.

(ii) Engineering and other related services

Revenue from engineering and other related services fees are recognised when services are rendered.

(iii) Rental income

Rental income under operating leases is recognised on a straight-line basis over the term of the lease.

(iv) Interest income from financial services

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

(v) Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Other rental income under operating leases is recognised on a straight-line basis over the term of the lease.

(B) *Accounting policies applied until 31 December 2017*

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

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

(i) Revenue from engineering and other related services

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.22 Revenue recognition (Continued)

(B) Accounting policies applied until 31 December 2017 (Continued)

(ii) Interest income from financial services

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

4.23 Operating leases

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

4.24 Dividend distribution

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

4.25 Exploration and evaluation expenditure

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

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

4.26 Contingent liability

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

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

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

At 31 December 2018, if RMB had weakened/strengthened by 1% against HK$ with all other variables held constant, gains/losses for the year would have been approximately RMB2,095,000 (2017: RMB2,195,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HK$ denominated cash and cash equivalents, other receivables and other payables.

(ii) Interest rate risk

The Group's interest rate risk arises from bank deposits and cash at banks which are bearing floating interest rates. Floating interest rates cause the Group cash flow interest rate risk. The Group also had a borrowings with fixed interest rate for the years ended 31 December 2018 and 2017 which exposed the Group to fair value interest rate risk. For the years ended 31 December 2018 and 2017, management of the Group is of the opinion that relevant risks were not material to the Group.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's credit risk is primarily attributable to its trade receivables, financial assets at FVOCI, loan receivable, other receivables, restricted cash at banks and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(b) *Credit risk (Continued)*

In respect of financial assets at FVOCI, restricted cash at banks and cash and cash equivalents, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rates of financial assets at FVOCI, restricted cash at banks and cash and cash equivalents are assessed to be close to zero and no provision was made as of 1 January 2018 and 31 December 2018.

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECLs provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECLs. It considers available reasonable and supportive forwarding-looking information.

As at 31 December 2018, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 365 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating results. Subsequent recoveries of amounts previously written off are credited against the same line item.

Loan receivable of the Group at amortised cost are considered to have low credit risk, and the loss allowances recognised during the year was therefore limited to 12-month ECLs.

The credit quality of other receivables has been assessed with reference to historical information about the counterparties default rate and financial position of the counterparties.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(b) *Credit risk (Continued)*

The loss allowances as at 31 December 2018 was determined for trade receivables, loan receivable and other receivables as follow:

As at 31 December 2018	Trade receivables	Loan receivable	Other receivables	Total
Expected credit loss rate (%)	1.37%	1.14%	58.59%	
Gross carrying amount of trade receivables (RMB'000)	11,516	–	–	11,516
Gross carrying amount of loan receivable (RMB'000)	–	100,000	–	100,000
Gross carrying amount of other receivables (RMB'000)	–	–	157,061	157,061

Movement in the loss allowances account in respect of trade receivables, loan receivable and other receivables during the year is as follow:

	Trade receivables RMB'000	Loan receivable RMB'000	Other receivables RMB'000	Total RMB'000
Balance at 31 December 2017 under HKAS 39	–	–	98,127	98,127
Impact on initial application of HKFRS 9 (Note 2(a)A(ii))	104	1,049	5,232	6,385
Adjusted balance at 1 January 2018	104	1,049	103,359	104,512
Written off of other receivables	–	–	(30,041)	(30,041)
ECLs on financial assets	54	95	16,806	16,955
Exchange realignment	–	–	1,895	1,895
Balance at 31 December 2018	158	1,144	92,019	93,321

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Less than 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2018						
Trade and other payables	43,611	43,611	43,611	–	–	–
Borrowings	2,200	2,205	2,205	–	–	–
	45,811	45,816	45,816			
At 31 December 2017						
Trade and other payables	25,791	25,791	25,791	–	–	–
Borrowings	1,000	1,102	1,102	–	–	–
	26,791	26,893	26,893			

(d) Concentration risk

Revenue of the Group is principally derived from engineering services and financial services in 2018 and 2017.

For the year ended 31 December 2018, revenue of interest income from financial services was derived from three (2017: two) customers and 94% (2017: 88%) of the revenue of engineering and other related services was derived from three (2017: two) customers.

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

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Provision for impairment of trade and other receivables

The impairment of trade and other receivables are assessed on lifetime and 12-month ECLs basis to determine whether the credit risk of a financial asset has increased significantly since initial recognition. Assessments are done based on the Group's historical credit losses experience, existing market conditions as well as forward looking estimates at the end of each reporting period. The provision of ECL is sensitive to changes in estimates. The information about the ECLs and the Group's trade and other receivables is disclosed in notes 2(a)A(ii), 5.1(b), 26 and 27, respectively.

(b) Carrying value of non-current assets

The Group tests whether property, plant and equipment, land use rights, mining rights and exploration rights and goodwill have been impaired due to events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount, in accordance with accounting policies stated in Note 4.10. As at 31 December 2018, there was impairment charge of approximately RMB27,386,000 (2017: RMB6,137,000) in aggregate on property, plant and equipment, mining rights and mining structures, and goodwill of the Group. The recoverable amounts of different CGUs to which the property, plant and equipment, land use rights, mining rights and mining structures, and goodwill belong, have been determined based on value-in-use calculations, with reference to the valuation reports prepared by independent valuers, using cash flow projections, financial budgets approved by management covering a five-year period and management's assumptions and estimates including forecast of selling price of nickel, copper, lead, zinc and gold, discount rates, time to resume production and inflation rate. Cash flows beyond the five-year period are assumed to be equal to the cash flow of year 2023 for cash generating units without considering the inflation rate. The discount rates used in cash flow projections varied with different cash generating units.

(c) Mineral reserves

Mine reserves are estimates of the quantity of product that can be economically and legally extracted from the mining site. In order to calculate the mine reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, production costs, transport costs, commodity demand and commodity prices. Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. Should there be any change in economic assumptions and geological data that used to estimate mine reserves, impairment losses on the mining rights may arise.

7 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Group's CODM that are used to make strategic decisions. The CODM has been identified as the Company's Board.

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

For the years ended 31 December 2018 and 2017, the Group had three reportable segments:

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

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

(c) the "Engineering services" segment engages in providing engineering services for exploiting oil, natural gas, coal-bed methane and pre-drilling engineering services and other related services and trading of materials for oil and gas exploration through Yonghe County Changshi Engineering Service Company Limited ("Changshi"), which was acquired in April 2017 (Note 39(b)), in the PRC.

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

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

7 SEGMENT INFORMATION (Continued)

(A) The segment information provided to the CODM for the reportable segments for each of the years ended and as at 31 December 2018 and 2017 is as follows:

	2018					2017				
	Mining RMB'000	Financial services RMB'000	Engineering services RMB'000	Unallocated RMB'000	Total RMB'000	Mining RMB'000	Financial services RMB'000	Engineering services RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December										
Segment Revenue										
– Sales of mining products	52	–	–	–	52	–	–	–	–	–
– Interest income from financial services	–	6,636	–	–	6,636	–	10,163	–	–	10,163
– Engineering and other related services	–	–	26,140	–	26,140	–	–	12,682	–	12,682
	52	6,636	26,140	–	32,828	–	10,163	12,682	–	22,845
Segment operating (loss)/profit	(51,170)	3,589	329	–	(47,252)	(36,464)	8,365	6,383	–	(21,716)
Unallocated operating loss (Note (a))	–	–	–	(2,229)	(2,229)	–	–	–	(25,028)	(25,028)
Operating (loss)/profit	(51,170)	3,589	329	(2,229)	(49,481)	(36,464)	8,365	6,383	(25,028)	(46,744)
Segment finance (costs)/income – net	(111)	11	318	–	218	50	2	(22)	–	30
Unallocated	–	–	–	1,038	1,038	–	–	–	357	357
Finance (costs)/income – net	(111)	11	318	1,038	1,256	50	2	(22)	357	387
Income tax (credit)/expense	(6,083)	925	463	–	(4,695)	(1,588)	2,096	1,321	–	1,829
Amortisation	243	–	–	–	243	243	–	–	–	243
Segment depreciation	2,223	–	1,160	–	3,383	2,756	–	525	–	3,281
Unallocated	–	–	–	107	107	–	–	–	–	–
Depreciation	2,223	–	1,160	107	3,490	2,756	–	525	–	3,281
Additions of non-current assets	30,468	–	726	1,287	32,481	20	–	5,908	–	5,928

7 SEGMENT INFORMATION (Continued)

(A) The segment information provided to the CODM for the reportable segments for each of the years ended and as at 31 December 2018 and 2017 is as follows: (Continued)

	2018					2017				
	Mining RMB'000	Financial services RMB'000	Engineering services RMB'000	Unallocated RMB'000	Total RMB'000	Mining RMB'000	Financial services RMB'000	Engineering services RMB'000	Unallocated RMB'000	Total RMB'000
Segment impairment										
– Non-current assets	27,386	–	–	–	27,386	6,137	–	–	–	6,137
– Financial assets	16,955	–	–	–	16,955	31,105	–	–	600	31,705
Impairment	44,341	–	–	–	44,341	37,242	–	–	600	37,842
As at 31 December										
Segment assets	174,883	113,045	27,201	–	315,129	186,866	113,179	24,808	–	324,853
Unallocated assets (Note (b))	–	–	–	207,835	207,835	–	–	–	230,352	230,352
Assets	174,883	113,045	27,201	207,835	522,964	186,866	113,179	24,808	230,352	555,205
Segment liabilities	60,691	7,900	11,814	–	80,405	39,733	6,463	14,583	–	60,779
Unallocated liabilities (Note (c))	–	–	–	1,818	1,818	–	–	–	3,770	3,770
Liabilities	60,691	7,900	11,814	1,818	82,223	39,733	6,463	14,583	3,770	64,549

Notes:

(a) Unallocated operating loss mainly represented exchange gain, administrative and professional services expenses incurred by the Company for the year ended 31 December 2018 and exchange loss, administrative and professional services expenses incurred by the Company for the year ended 31 December 2017.

(b) Unallocated assets mainly represented other receivables and bank deposits as at 31 December 2018 and 2017.

(c) Unallocated liabilities mainly represented other payables and accruals as at 31 December 2018 and 2017.

7 SEGMENT INFORMATION (Continued)

(B) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical markets, major products and service lines and timing on revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

For the year ended 31 December 2018

	Mining RMB'000	Financial services RMB'000	Engineering services RMB'000	Total RMB'000
Primary geographical markets				
The PRC	52	6,636	26,140	32,828
Major products and services				
Mining products	52	–	–	52
Financial services	–	6,636	–	6,636
Engineering and other related services	–	–	26,140	26,140
	52	6,636	26,140	32,828
Timing of revenue recognition				
At a point in time	52	–	24,512	24,564
Transferred over time	–	6,636	1,628	8,264
	52	6,636	26,140	32,828

7 SEGMENT INFORMATION (Continued)

(B) Disaggregation of revenue (Continued)

For the year ended 31 December 2017

	Mining RMB'000	Financial services RMB'000	Engineering services RMB'000	Total RMB'000
Primary geographical markets				
The PRC	–	10,163	12,682	22,845
Major products and services				
Mining products	–	–	–	–
Financial services	–	10,163	–	10,163
Engineering and other related services	–	–	12,682	12,682
	–	10,163	12,682	22,845
Timing of revenue recognition				
At a point in time	–	–	11,208	11,208
Transferred over time	–	10,163	1,474	11,637
	–	10,163	12,682	22,845

(C) Geographic information

The following table provides an analysis of the Group's revenue from customers and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets")

	Revenue from external customers (by customer location) Year ended 31 December		Specified non-current assets (by client location) As at 31 December	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
The PRC	32,828	22,845	164,471	164,911
Others	–	–	1,180	–
	32,828	22,845	165,651	164,911

7 SEGMENT INFORMATION (Continued)

(D) Information about major customers

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Customer A	13,603	N/A
Customer B	6,304	N/A
Customer C	5,907	N/A
Customer D	4,605	N/A
Customer E	N/A	10,163
Customer F	N/A	9,334

N/A: Transactions during the year did not exceed 10% of the Group's revenue.

The revenue contributed by the above major customers are attributable to the financial services segment and engineering services segment in both years.

8 REVENUE

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

Revenue recognised during the years ended 31 December 2018 and 2017 is as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Sales of mining products	52	–
Interest income from financial services	6,636	10,163
Engineering and other related services	26,140	12,682
	32,828	22,845

9 LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Cost of inventories recognised as expense	20,257	–
Depreciation of property, plant and equipment (Note 16)	3,490	3,281
Amortisation of land use rights (Note 18)	243	243
(Gain)/loss on disposal of property, plant and equipment	(167)	484
Impairment loss on property, plant and equipment (Note 16)	2,153	–
Impairment loss on mining structures and mining rights (Note 16 and Note 17)	24,118	6,137
Impairment loss on goodwill (Note 19)	1,115	–
Expected credit losses on financial assets	16,955	–
Impairment loss on other receivables (Note 27(k))	–	31,705
Employee benefit expenses (Note 10)	9,619	12,218
Auditor's remuneration		
– audit services	1,200	1,414
– other services	1,000	375
Foreign exchange (gain)/loss, net (Note 11)	(12,086)	3,377

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages and salaries	9,060	11,262
Contributions to pension plans (Note (a))	286	266
Housing benefits (Note (b))	68	23
Welfare and other expenses	205	667
	9,619	12,218

Notes:

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

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2017: two) director whose emoluments are reflected in the analysis shown in Note 15. The emoluments payable to the remaining four (2017: three) individuals during the year are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Basic salaries, allowances and benefits in kind	2,244	2,232

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands (in HK dollars)		
Up to HK$1,000,000 (up to RMB842,500 equivalents)	3	2
HK$1,000,001 – HK$1,500,000 (RMB842,500 equivalents – RMB1,263,800 equivalents)	1	1

11 OTHER GAINS – NET

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Exchange gain/(loss)	12,086	(3,377)
Rental income from lease of a factory production line	1,000	–
Net gains transferred from other comprehensive income upon the disposal of available-for-sale financial assets	–	5,057
Loss on disposal of available-for-sale financial assets	–	(1,310)
Bargain purchase (Note 39(b))	–	523
Gain/(loss) on disposal of property, plant and equipment	167	(484)
Others	1,097	323
	14,350	732

12 FINANCE INCOME – NET

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Finance income		
Interest income	1,544	493
Finance costs		
Interest expenses		
– Borrowings	(175)	(33)
– Unwinding of discount – provision for close down, restoration and environmental costs (Note 32)	(113)	(73)
	(288)	(106)
Finance income – net	1,256	387

13 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current tax	1,388	3,417
Deferred tax (Note 21)	(6,083)	(1,588)
Income tax (credit)/expense	(4,695)	1,829

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

The Group's subsidiaries incorporated in the British Virgin Islands ("BVI") were not liable for taxation in the BVI on their non-BVI income.

The Group's subsidiaries in Hong Kong were subject to Hong Kong profits tax at a rate of 16.5% for each of the years ended 31 December 2018 and 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual period beginning on or after 1 January 2018.

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

All the Group's subsidiaries in Hong Kong and the Mainland China except for Changshi and Jiayi did not have any assessable profits for both years ended 31 December 2018 and 2017.

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

13 INCOME TAX (CREDIT)/EXPENSE (Continued)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Loss before income tax	(48,225)	(46,357)
Tax on loss before income tax, calculated at the rates applicable to the tax jurisdictions	(7,064)	(10,347)
Tax effects of:		
– Expenses not deductible for tax purposes	37	156
– Utilisation of previously unrecognised tax losses	–	(316)
– Income not taxable for tax purposes	(14,372)	–
– Deductible temporary differences for which no deferred taxation recognised	16,704	8,803
– Tax losses for which no deferred taxation recognised	–	3,533
Income tax (credit)/expense	(4,695)	1,829

14 LOSS PER SHARE

The basic loss per share is calculated by dividing:

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

	Year ended 31 December	
	2018	2017
Loss for the year attributable to equity holders of the Company (RMB'000)	(41,269)	(46,129)
Adjusted weighted average number of shares in issue (in thousands)	1,620,000	1,620,000
Basic and diluted loss per share (RMB)	(2.5) cents	(2.8) cents

Diluted loss per share was equal to basic loss per share as there was no dilutive potential share outstanding for each of the years ended 31 December 2018 and 2017.

15 BENEFITS AND INTERESTS OF DIRECTORS

For the year ended 31 December 2018:

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

	Directors' fee RMB'000	Salaries, allowances, and benefits in kind RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Li Xiaobin (Note (a))	1,180	–	–	1,180
Ms. Jia Dai (Note (c))	303	–	–	303
Mr. Liu Huijie (Note (d))	303	–	–	303
Mr. Cao Shiping (Note (n))	101	–	–	101
Ms. Sun Zhili (Note (i))	81	–	–	81
Ms. Xiang Siying (Note (j))	101	–	–	101
Ms. Wang Qian	–	–	–	–
Ms. Huang Mui (note (m))	20	–	–	20

15 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

For the year ended 31 December 2017:

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

	Directors' fee RMB'000	Salaries, allowances and benefits in kid RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Li Xiaobin (Note (a))	1,687	–	–	1,687
Mr. Wang Dayong (Note (b))	433	–	–	433
Ms. Jia Dai (Note (c))	243	–	–	243
Mr. Liu Huijie (Note (d))	217	–	–	217
Mr. Cao Shiping (Note (n))	104	–	–	104
Mr. Shou Xuancheng (Note (e))	104	–	–	104
Mr. Yu Liyong (Note (f))	89	–	–	89
Mr. Cao Kuanggu (Note (g))	71	–	–	71
Mr. Song Shaohuan (Note (h))	52	–	–	52
Ms. Sun Zhili (Note (i))	52	–	–	52
Ms. Xiang Siying (Note (j))	33	–	–	33
Ms. Wang Qian	–	–	–	–
Mr. Xu Zucheng (Note (k))	–	–	–	–
Mr. Sun Zhong (Note (l))	–	–	–	–

Notes:

(a) Mr. Li was appointed as executive director on 5 April 2017 and was appointed as chairman of the Company (the "Chairman") on 23 May 2017. He resigned as executive director and Chairman on 11 March 2019.

(b) Mr. Wang resigned as Chairman and executive director on 23 May 2017.

(c) Ms. Jia was appointed as executive director on 20 April 2017 and resigned as executive director on 13 February 2019.

(d) Mr. Liu was appointed as executive director on 20 April 2017.

(e) Mr. Shou resigned as executive director on 20 April 2017.

(f) Mr. Yu was appointed as executive director on 6 September 2017 and resigned as executive director on 19 December 2017.

(g) Mr. Cao resigned as independent non-executive director on 6 September 2017.

(h) Mr. Song resigned as non-executive director on 1 July 2017.

(i) Ms. Sun was appointed as independent non-executive director on 1 July 2017 and resigned as independent non-executive director on 19 October 2018.

(j) Ms. Xiang was appointed as independent non-executive director on 6 September 2017 and appointed as Chairman on 11 March 2019.

(k) Mr. Xu resigned as executive director on 20 April 2017.

(l) Mr. Sun resigned as executive director on 5 January 2017.

(m) Ms. Huang Mei was appointed as independent non-executive director on 19 October 2018.

(n) Mr. Cao resigned as independent non-executive director on 11 March 2019.

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Office equipment and others RMB'000	Motor vehicles RMB'000	Mining structures RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2017								
Opening net book amount	19,825	–	4,540	46	224	4,502	31,592	60,729
Acquisition of a subsidiary (Note 39(b))	–	–	–	81	3,235	–	–	3,316
Additions	–	–	1,904	47	661	–	–	2,612
Depreciation (Note (a), Note 9)	(1,793)	–	(900)	(63)	(525)	–	–	(3,281)
Impairment charge (Note (b))	–	–	–	–	–	(1,376)	–	(1,376)
Disposal	–	–	(473)	(11)	–	–	–	(484)
Closing net book amount	18,032	–	5,071	100	3,595	3,126	31,592	61,516
As at 31 December 2017								
Cost	35,281	–	26,336	527	11,132	14,393	31,592	119,261
Accumulated depreciation	(17,249)	–	(21,265)	(427)	(7,537)	(1,243)	–	(47,721)
Accumulated impairment charge (Note (b))	–	–	–	–	–	(10,024)	–	(10,024)
Net book amount	18,032	–	5,071	100	3,595	3,126	31,592	61,516
Year ended 31 December 2018								
Opening net book amount	18,032	–	5,071	100	3,595	3,126	31,592	61,516
Acquisition of a subsidiary (Note 39 (a))	–	–	–	–	–	–	14,296	14,296
Additions	–	1,287	726	–	–	–	852	2,865
Depreciation (Note (a), Note 9)	(1,808)	(107)	(690)	(43)	(842)	–	–	(3,490)
Impairment charge (Note (b))	–	–	–	–	–	(3,126)	(2,153)	(5,279)
Disposal	–	–	(1,737)	–	–	–	–	(1,737)
Closing net book amount	16,224	1,180	3,370	57	2,753	–	44,587	68,171
As at 31 December 2018								
Cost	35,281	1,287	25,157	527	11,017	14,393	46,740	134,402
Accumulated depreciation	(19,057)	(107)	(21,787)	(470)	(8,264)	(1,243)	–	(50,928)
Accumulated impairment charge (Note (b))	–	–	–	–	–	(13,150)	(2,153)	(15,303)
Net book amount	16,224	1,180	3,370	57	2,753	–	44,587	68,171

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

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

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Administrative expenses	1,035	526
Cost of sales	2,455	2,755
Total depreciation	3,490	3,281

(b) Impairment assessment

The copper, nickel, silver and lead market, being the core businesses of Hami Jiatai and Hami Jinhua, have been experiencing continuous depression since 2009. Although there was a sign of recovery of the market, the price of copper and nickel still fluctuated wildly during the year ended 31 December 2018. As such, the Company decided to delay production schedule of the Group's mining operations and will continue to study the possibility of the commencement of production in responses to the change in the market conditions.

In light of the above, the management appointed independent valuers to carry out a review of the recoverable amount of its assets in the goodwill, mining structures and mining rights, land use rights, property, plant and equipment as at 31 December 2017 and 2018.

The management appointed an independent valuer, to carry out a review of the recoverable amounts of Hami Jiatai and Hami Jinhua as at 31 December 2017, being the CGUs of the Group's mining operations located in Hami county, Xinjiang Uyghur Autonomous Region ("Xinjiang"), the PRC. The review has resulted in the recognition of further impairment losses on mining structures and mining rights of Hami Jiatai of approximately RMB1,376,000 and approximately RMB4,761,000, respectively.

The management appointed an independent valuer, to carry out a review of the recoverable amounts of Hami Jiatai and Hami Jinhua as at 31 December 2018, and further impairment losses on mining structures and mining rights of Hami Jiatai of approximately RMB3,126,000 and approximately RMB10,785,000, respectively, were recognized as the result.

During the year ended 31 December 2018, Shaanxi Jiahe (see Note 39(a)), which mainly engages in the business of mining and processing and trading of gold, was transferred back to the Group and in light of the wildly fluctuating gold market, the Company appointed an independent valuer, to carry out a review of the recoverable amount of Shaanxi Jiahe, being CGU of the Project Huangjinmei, and resulted in the recognition of impairment losses on goodwill, property, plant and equipment and mining rights of approximately RMB1,115,000, approximately RMB2,153,000 and approximately RMB10,207,000, respectively.

All of the impairment losses on goodwill, property, plant and equipment, mining structures and mining rights were recognised in other operating losses for both the years ended 31 December 2018 and 2017.

The recoverable amounts are determined based on the value-in-use (the "VIU") calculation using cash flow projections, based on financial budgets approved by management covering a five-year period from 2019 to 2023 and management's assumptions and estimates (Note 17(b)).

17 MINING RIGHTS AND EXPLORATION RIGHTS

	2018			2017		
	Mining rights RMB'000	Exploration rights RMB'000	Total RMB'000	Mining rights RMB'000	Exploration rights RMB'000	Total RMB'000
Year ended 31 December						
Opening net book amount	94,539	–	94,539	99,300	–	99,300
Acquisition of a subsidiary (Note 39(a))	15,320	–	15,320	–	–	–
Amortisation charge (Note (a))	–	–	–	–	–	–
Impairment charge (Note 16(b))	(20,992)	–	(20,992)	(4,761)	–	(4,761)
Closing net book amount	88,867	–	88,867	94,539	–	94,539
At 31 December						
Cost	148,843	–	148,843	133,523	–	133,523
Accumulated amortisation	(3,812)	–	(3,812)	(3,812)	–	(3,812)
Accumulated impairment charge	(56,164)	–	(56,164)	(35,172)	–	(35,172)
Net book amount	88,867	–	88,867	94,539	–	94,539

Notes:

(a) Mining rights are amortised using the unit of production method based on the actual production volume over the estimated total probable reserves within the terms of license. The mining rights were not amortised during the year ended 31 December 2018 and 2017 as the Group did not carry out any mining activities during the years.

(b) Impairment assessment

For the calculation of the recoverable amount of Hami Jiatai and Hami Jinhua, the key assumptions include the nickel and copper prices (which were reference to the market consensus on forecast price of the relevant commodities and sourced from Bloomberg) ranging RMB90,341 per tonne to RMB99,008 per tonne (2017: RMB105,339 per tonne to RMB112,041 per tonne) and RMB48,720 per tonne to RMB51,865 per tonne (2017: RMB58,361 per tonne to RMB60,275 per tonne), respectively, for Hami Jiatai, lead and zinc prices (which were reference to the market consensus on forecast price of the relevant commodities and sourced from Bloomberg) ranging RMB17,497 per tonne to RMB18,477 per tonne (2017: RMB18,766 per tonne to RMB19,183 per tonne) and RMB20,197 per tonne to RMB21,656 per tonne (2017: RMB22,018 per tonne to RMB22,579 per tonne), respectively, for Hami Jinhua, the inflation rate over the expected life of the mines (which sourced from International Monetary Fund ("IMF")) of 3% (2017: 3%) and the discount rate of 20% (2017: 21%) and 27% (2017: 23%) for Hami Jiatai and Hami Jinhua respectively. Considering the existing conditions of both commodities market and the mine condition, the Company expected the production will commence in 2020.

17 MINING RIGHTS AND EXPLORATION RIGHTS (Continued)

Notes: (Continued)

(b) Impairment assessment (Continued)

In respect of the calculation of the recoverable amount of Shaanxi Jiahe, the key assumptions include the gold prices (which were reference to the market consensus on forecast price of the relevant commodities and sourced from Bloomberg) ranging RMB279 per gram to RMB307 per gram, the inflation rate over the expected life of the mines (which sourced from IMF) of 3% and the discount rate of approximately 17%. Considering the existing conditions of both commodities market and the mine condition, the Company expected the production will commence in 2020.

18 LAND USE RIGHTS

	2018 RMB'000	2017 RMB'000
Year ended 31 December		
Opening net book amount	8,856	9,099
Amortisation charge (Note 9)	(243)	(243)
Closing net book amount	8,613	8,856
At 31 December		
Cost	11,136	11,136
Accumulated amortisation	(2,523)	(2,280)
Net book amount	8,613	8,856

All land use rights of the Group locates in Mainland China and have the remaining land use rights periods ranging from 36 to 39 years as at 31 December 2018 (2017: 37 to 40 years).

19 GOODWILL

The amount of goodwill capitalised as an asset recognised in the consolidated balance sheet, arising from business combinations, is as follows:

	2018 RMB'000
Year ended 31 December	
Opening net book amount	–
Acquisition of a subsidiary (Note 39 (a))	1,115
Impairment charge (Note 9, 16 (b))	(1,115)
Closing net book amount	–
At 31 December	
Cost	1,115
Accumulated impairment charge	(1,115)
Net book amount	–

For the purpose of impairment testing, goodwill is allocated to the CGUs under mining segment. Valuations were carried out by the valuer to assess the recoverable amount of the goodwill arising from the acquisitions.

The recoverable amounts of the CGU are determined based on the value-in-use (the "VIU") calculation using cash flow projections, based on financial budgets approved by management covering a five-year period from 2019 to 2023 and management's assumptions and estimates, followed by an extrapolation of expected cash flow at the zero growth rate which do not exceed the long-term growth rate for the business in which the CGU operates, and a discount rate of 17% per annum. The discount rate used is pre-tax and reflect specific risks relating to the CGU. Shaanxi Jiahe incurred loss for the year ended 31 December 2018 and the directors of the Company considered the goodwill arising from the acquisition of Shaanxi Jiahe should be impaired. An impairment loss on the goodwill of RMB1,115,000 was recognised in the consolidated income statement for the year ended 31 December 2018.

20 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2018 are set out below. Unless otherwise stated, the proportion of ownership interests held equals the voting rights held by the Group.

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

The total non-controlling interests in respect of Hami Jinhua, Hami Jiatai and Shaanxi Jiahe are not material.

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

21 DEFERRED INCOME TAX

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	2,823	2,823
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	(17,938)	(22,906)
– Deferred tax liabilities to be recovered within 12 months	(54)	(54)
	(17,992)	(22,960)
Deferred tax liabilities, net	(15,169)	(20,137)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of year	20,137	21,725
Acquisition of a subsidiary (Note a, Note 39(a))	1,115	–
Credited to the consolidated income statement (Note 13)	(6,083)	(1,588)
At end of year	15,169	20,137

Note (a): The amount arose from the deferred liabilities of approximately RMB3,517,000 arising from the valuation surplus of the mining rights and exploration rights upon the acquisition of Shaanxi Jiahe, and offset by the deferred tax assets of approximately RMB2,402,000 arising from the tax losses of Shaanxi Jiahe.

21 DEFERRED INCOME TAX (Continued)

The movements in deferred tax assets and liabilities for each of the years ended 31 December 2018 and 2017, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Depreciation and others RMB'000
At 1 January 2017	2,823
Charged to the consolidated income statement	–
At 31 December 2017, 1 January 2018 and 31 December 2018	2,823

No deferred income tax assets were recognised for tax losses, provisions and accruals as at 31 December 2018 and 2017 as there is uncertainty on whether the unused tax losses, provisions and accruals can be utilised in the foreseeable future.

The Group did not recognise deferred income tax assets of approximately RMB6,742,250 (2017: RMB6,888,250) in respect of tax losses incurred by Hami Jiatai and Hami Jinhua, in aggregate amounting to approximately RMB26,969,000 (2017: RMB27,553,000), and the expiry dates are as follows.

	As at 31 December	
	2018	2017
	RMB	RMB
Expiry date		
2018	–	5,186,000
2019	6,609,000	6,609,000
2020	4,827,000	4,827,000
2021	7,479,000	7,479,000
2022	3,452,000	3,452,000
2023	4,602,000	–
Total	26,969,000	27,553,000

21 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities

	Valuation surplus of acquired assets upon business combination RMB'000
As at 1 January 2017	24,548
Credited to the consolidated income statement (Note 13)	(1,588)
At 31 December 2017 and 1 January 2018	22,960
Acquisition of a subsidiary (Note 39(a))	1,115
Credited to the consolidated income statement (Note 13)	(6,083)
As at 31 December 2018	17,992

22 RESTRICTED CASH AT BANKS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Restricted cash at banks	**2,653**	2,648

Note:

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

23 LOAN RECEIVABLE

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current portion		
– Loan to a third party (Note (a))	–	100,000
Current portion		
– Loan to a third party (Note (b))	100,000	–
	100,000	100,000
Less: ECLs of loan receivable	(1,144)	–
	98,856	100,000

Notes:

(a) As at 31 December 2017, loan receivable of RMB100,000,000 represented a loan of RMB100,000,000 to Warburg Energy Development Limited (北京中海沃邦能源投資有限公司) ("Warburg"), which was unsecured and bearing annual interest of 9% with a fixed term of 5 years. The loan was early repaid to the Group in January 2018.

(b) On 11 December 2018, Jiayi, one of the subsidiaries of the Group entered into a loan agreement (the "Loan Agreement") and a bank custodian agreement (the "Bank Custodian Agreement") with Shenzhen Sanjiu Danfeng Baila Hotel Commonweal Co., Ltd. * ("Danfeng"), an independent third party, to provide a loan of RMB100,000,000 for a term of 3 months, which is extendable for not more than 6 months, bearing annual interest of 7%.

(c) Movement in the loss allowances amount in respect of loan receivable during the year is as follows:

	2018
	RMB'000
Balance at 31 December under HKAS 39	–
Impact on initial application of HKFRS 9 (Note 2(a)A)	1,049
Adjusted balance at 1 January	1,049
ECLs on loan receivable recognised during the year (Note 2(a)A)	95
Balance at 31 December	1,144

There is no provision of impairment on loan receivable as at 31 December 2017.

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

24 INVENTORIES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Raw materials	1,268	1,268
Semi-finished goods	1,746	1,777
Finished goods	5	–
	3,019	3,045

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

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Bills receivable (Note (a))	2,300	–

Note:

(a) The balance represents bank acceptance notes with maturity periods of within one year.

26 TRADE RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables	11,516	8,975
Less: ECLs of trade receivables (Note (b))	(158)	-
Trade receivables (Note (a))	11,358	8,975

26 TRADE RECEIVABLES (Continued)

Notes:

(a) At 31 December 2018 and 2017, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December 2018 RMB'000	 2017 RMB'000
Up to 3 months	3,664	3,597
3 to 6 months	4,079	5,378
6 to 12 months	–	
Over 12 months	3,615	–
	11,358	8,975

At 31 December 2018 and 2017, the ageing analysis of the trade receivables based on overdue date as required by HKAS 39 (and not required by the newly applied HKFRS 9) were as follows:

	As at 31 December 2017 RMB'000
Not yet overdue	8,197
Up to 3 months	778
3 to 6 months	–
6 to 12 months	–
Over 12 months	–
	8,975

The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, were not impaired. Based on communications with these customers, it is expected these receivables will be settled by end of 2019.

(b) As at 31 December 2018, loss allowances of approximately RMB 158,000 were made against the gross amount of trade receivables.

Movement in the loss allowances amount in respect of trade receivables during the year is as follows:

	2018 RMB'000
Balance at 31 December under HKAS 39	–
Impact on initial application of HKFRS 9 (Note 2(a)A)	104
Adjusted balance at 1 January	104
ECLs recognised during the year	54
Balance at 31 December	158

There is no provision of impairment on trade receivables as at 31 December 2017.

27 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets:		
Other receivables		
– Amount due from Warburg (Note (a))	–	13,123
– Amount due from Merit Progress Investments Limited ("Merit Progress") (Note (b))	–	33,436
	–	46,559
Current assets:		
Other receivables		
– Amount due from Warburg(Note (a))	10,493	–
– Amount due from Merit Progress (Note (b))	52,705	129,566
– Amount due from Xiaoyi Dajieshan (Note (c))	-	52,600
– Amount due from Shaanxi Jiatai Hengrun Mineral Resources Development Co., Ltd*. ("Shaanxi Jiatai") (Note (d))	47,618	39,350
– Amount due from Mr. Wei Xing (Note (e))	28,548	26,756
– Interest income receivable from Danfeng (Note (f))	403	-
– Amount due from Shaanxi Mining Garner Co., Ltd. (Note (g))	9,502	-
– Deductible input VAT	2,139	2,107
– Others (Note (h))	7,792	17,782
Subtotal	159,200	268,161
Less: Provision of impairment losses on other receivables (Note (i),(k))	(92,019)	(98,127)
	67,181	170,034
Advances to suppliers – third parties	1,200	1,800
	68,381	171,834

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

Notes:

(a) In December 2015, Jiayi granted a loan of RMB100,000,000 to Warburg, which was unsecured, bearing annual interest of 9% with a fixed term of 5 years (Note 23(a)). The loan was early repaid to the Group in January 2018 while the interest receivable of approximately RMB10,493,000 was subsequently repaid in March 2019.

27 OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes: (Continued)

(b) The Group entered into a memorandum of terms (the "Memorandum") on 3 December 2015 and a series of supplemental terms (the "Supplementals") on 29 March 2016, 6 September 2016, 31 December 2016 and 30 June 2017 with three vendors (the "Vendors") in relation to a possible acquisition of the entire equity interests of China Green Energy Investment Limited (the "Target Company") at a total consideration of not more than US$150,000,000 (equivalent to approximately RMB980,202,000). The Target Company and its subsidiaries are principally engaged in exploration, development, production and sale of the coalbed methane in the Shanxi province, the PRC. Pursuant to the Memorandum, the Group paid US$25,000,000 (equivalent to approximately RMB163,367,000) to the Vendors in December 2015 as a refundable deposit for the exclusive negotiation rights from the date of the Memorandum to end of March 2016 (which was subsequently extended to end of December 2017 pursuant to the Supplementals). The earnest money was secured by the share charge in respect of all the shares of the Vendors in favour of the Company. The said share charge is not yet registered in the register of charges of the Target Company as at date of the consolidated financial statements that were authorised for issue. Pursuant to the Memorandum and the Supplementals, in the event that no sale and purchase agreement is entered into or the possible acquisition does not proceed on or before 31 December 2017, the earnest money shall be refunded to the Company.

Two Vendors have subsequently transferred their shares in the Target Company to Merit Progress, the remaining Vendor, which became the only legal and beneficial owner of the entire issued share capital of the Target Company as at 31 December 2017 and 2018.

As at 31 December 2017, the acquisition did not proceed and the exclusive negotiation right was expired, and the refundable deposit was thus reclassified to other receivables as at 31 December 2018 and 2017. As at 31 December 2018, the outstanding balance from Merit Progress was HK$60,000,000 (equivalent to approximately RMB52,705,000) (2017: HK$195,000,000 (equivalent to approximately RMB163,002,000)). Subsequently, HK$20,000,000 (equivalent to approximately RMB17,568,000) was collected by the Group before the date of issue of these financial statements. Pursuant to a letter received from Merit Progress in March 2019, Merit Progress shall settle the remaining HK$40,000,000 (equivalent to approximately RMB35,137,000) by end of June 2019. Considering (i) the value of share charge provided by Merit Progress; (ii) the personal guarantee provided by the ultimate beneficial owner of Merit Progress; and (iii) the value of assets owned by the ultimate beneficial owner and respective associates of Merit Progress, the directors believe no provision is necessary for the remaining balance.

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

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

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

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

27 OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes: (Continued)

(c) (Continued)

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

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

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

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

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

27 OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes: (Continued)

(c) (Continued)

Based on the above and other findings of the Investigation Report, the Special Investigating Committee is of view that the Disposal was a legally binding transaction under PRC laws and the Company had complied with the applicable reporting requirements under the Listing Rules.

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

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

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

27 OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes: (Continued)

(c) (Continued)

- The discount rate used in measuring value-in-use was 16%, which is pre-tax and reflects the specific risk relating to the business, after adjustment of probability of success.
- The projected prices of gold and silver used are derived from the forecasts disclosed in Bloomberg.
- Commercial production is expected to commence in 2020 and 3% is adopted in the forecast as the estimated inflation rate.

In addition, the management accounts of Shaanxi Jiahe included significant other receivables of approximately RMB17,770,000 due from, and other payables due to, same group of certain third parties. As at the date of acquisition, management assumed that Shaanxi Jiahe could fully collect all other receivables and would settle the other payables in full in the foreseeable future. Management also assumed that payables to the Company, Hami Jiatai and Huili Runce in total of RMB9,400,000 will be settled by Shaanxi Jiahe during the forecast period. As at 31 December 2018 and up to date of this report, as the Company was still in the process of negotiating and cannot finalise the terms of the set off arrangement, the expected credit loss of the aforesaid receivable has been fully provided in accordance with the newly affected HKFRS 9.

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

(d) The balance mainly represented prepayment of approximately RMB23,500,000 for acquisition of Shaanxi Jiarun Mining Development Co., Ltd.* ("Shaanxi Jiarun") which was lapsed on 30 September 2013, proceeds of approximately RMB8,350,000 receivable from Shaanxi Jiatai arising from disposal of plant, property and equipment and advances of approximately RMB15,768,000 to Shaanxi Jiatai, a company owned by Mr. Wei Xing, an independent third party. The balance was fully impaired because of the dispute between Shaanxi Jiatai and the Group in 2014 and 2015.

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

As at the end of the reporting period, full provision had been provided against the receivables because of the expiration of the negotiation rights due to dispute between Mr. Wei Xing and the Group.

(f) On 11 December 2018, Jiayi entered into the Loan Agreement and Bank Custodian Agreement with Danfeng. Pursuant to the Loan Agreement, Jiayi agreed to provide to Danfeng a loan of RMB100,000,000 for a term of 3 months, which is extendable for not more than 6 months bearing annual interest of 7% (see note 23(b)). Interest receivables of approximately RMB403,000 was accrued as at the end of reporting date.

On 12 March 2019, The Loan Agreement was extended to 1 April 2019 and 3-month interest of approximately RMB1,750,000 was paid by Danfeng on 11 March 2019. At the board meeting held on 29 March 2019, the directors approved the extension of the Loan Agreement to 11 September 2019.

(g) The balance mainly represented advances of approximately RMB9,502,000 to Shaanxi Mining Garner Co., Ltd., a company owned by Mr. Wei Xing. The balance was fully impaired due to the dispute between Mr. Wei Xing and the Group.

27 OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes: (Continued)

(h) The balances as at 31 December 2018 and 2017 mainly represented receivables from third parties, which were unsecured, interest free and had no fixed terms of repayment. An impairment provision of approximately RMB5,232,000 was recognised as the debtors' default in payment.

(i) As of 31 December 2018, other receivables of approximately RMB92,019,000 (2017: RMB98,127,000) were impaired. Provision for other receivables was mainly the provision for the amount due from Shaanxi Jiatai of approximately RMB47,618,000, provision for amount from Shaanxi Mining Garner Co., Ltd. of approximately RMB9,502,000 and provision for the amount due from Mr. Wei Xing of approximately RMB28,548,000, the receivables were provided in full due to the dispute between the Group and the counterparties.

As of 31 December 2017, other receivables of approximately RMB98,127,000 were impaired. Except for the provision for amount due from Xiaoyi Dajieshan of approximately RMB30,041,000 was resulted from the valuation of equity interests of Shaanxi Jiahe (Note 27 (c)), the remaining provision for other receivables was mainly the provision for the amount due from Shaanxi Jiatai of approximately RMB39,350,000 and provision for the amount due from Mr. Wei Xing of approximately RMB26,756,000, the receivables were provided in full provision due to the dispute between the Group and the counterparties.

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

(k) As at 31 December 2018, loss allowances of RMB92,019,000 were made against the gross amount of other receivables.

Movement in the loss allowance amount in respect of other receivables during the year is as follows:

	2018 RMB'000
Balance at 31 December under HKAS 39	98,127
Impact on initial application of HKFRS 9 (Note 2(a)A)	5,232
Adjusted balance at 1 January	103,359
Written off of other receivables due from Xiaoyi Dajieshan	(30,041)
ECLs recognised during the year (Note 5.1(b))	16,806
Exchange realignment	1,895
Balance at 31 December	92,019

The movement in the impairment for other receivables during the year ended 31 December 2017 is as follows:

	2017 RMB'000
Balance at 1 January	66,422
Impairment losses for the year (Note 9)	31,705
Balance at 31 December	98,127

28 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Cash on hand	106	69
Current deposits with banks	167,817	54,341
Cash and cash equivalents	167,923	54,410

Balances can be analysed as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Denominated in:		
– RMB	10,276	669
– HK$	157,643	53,709
– United States dollars	4	32
	167,923	54,410

Notes:

(a) The bank deposits were interest bearing at rates based on bank deposit rates as agreed with banks. The weighted average effective interest rate on deposits ranged from 0.05% to 1.7% per annum as at 31 December 2018 (2017: 0.05% to 0.35%).

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

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

29 SHARE CAPITAL AND SHARE PREMIUM

	Authorised shares of HK$0.1 each
As at 1 January 2017, 31 December 2017,1 January 2018 and 31 December 2018	5,000,000,000

	Number of shares (Thousands)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1,620,000	137,361	668,768	806,129

30 OTHER RESERVES

	Safety fund RMB'000	Maintenance fund RMB'000	Capital reserve RMB'000	Available-for-sale financial assets reserve RMB'000	Total RMB'000
At 1 January 2017	221	1,583	(13,972)	5,057	(7,111)
Reclassification to the consolidated income statement on disposal of available-for-sale financial assets	–	–	–	(5,057)	(5,057)
At 31 December 2017, 1 January 2018 and 31 December 2018	221	1,583	(13,972)	–	(12,168)

Notes:

(a) Pursuant to certain regulations issued by the State of Administration of Work Safety, the Group is required to set aside an amount to a safety fund at RMB8 per tonne of raw ore mined. The fund can be used for improvements of safety at the mines, and not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings. There were no appropriation to the safety funds for the years ended 31 December 2018 and 2017 as no ore was mined.

30 OTHER RESERVES (Continued)

Notes: (Continued)

(b) Pursuant to certain regulations issued by the State of Administration of Work Safety and the Ministry of Finance, the Group is required to set aside an amount to a maintenance fund calculated based on a rate of RMB18 per tonne of raw ore mined.

The fund can be used for improvement of mining structures, and is not available for distributions to shareholders. Upon incurring qualifying capital expenditure, an equivalent amount is transferred from maintenance fund to retained earnings. There were no appropriation to the maintenance fund for the years ended 31 December 2018 and 2017 as no ore was mined.

(c) Capital reserve represented the difference between the existing book values of net assets of the group companies comprising the Group as at the date of group reorganisation on 24 March 2010 (the "Reorganisation") which was recognised as part of the deemed cost of investment in subsidiaries upon the Reorganisation and the share capital of Right Source and Fortune in.

(d) Available-for-sale financial assets reserve comprises all gains/losses arising on the revaluation of unlisted debts securities.

31 ACCUMULATED LOSSES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Accumulated losses at beginning of year	(302,225)	(256,096)
Initial application of HKFRS 9	(6,362)	–
Loss for the year	(41,269)	(46,129)
Accumulated losses at end of year	(349,856)	(302,225)

Notes:

(a) In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, the PRC subsidiaries are required to transfer 10% of the profit after taxation determined in accordance with PRC generally accepted accounting principles to the statutory reserve until the balance reaches 50% of the paid-up capital. Such reserve can be used to reduce any losses incurred or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital. There were no appropriation to the statutory reserve for the years ended 31 December 2018 and 2017 as there were losses for the years ended 31 December 2018 and 2017 in the PRC subsidiaries.

(b) The directors of the Company did not propose any payment of dividends to the Company's shareholders for the years ended 31 December 2018 and 2017.

32 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of year	3,233	3,160
Acquisition of a subsidiary (Note 39(a))	1,961	–
Unwinding of discount (Note 12)	113	73
At end of year	5,307	3,233

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

33 TRADE PAYABLES

Trade payables are analysed as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
– Third parties	7,610	12,226

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

33 TRADE PAYABLES (Continued)

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
0 – 90 days	1,290	6,507
91 – 180 days	4,247	3,158
181 – 365 days	464	1,261
Over 365 days	1,609	1,300
	7,610	12,226

34 BORROWINGS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Loans from committees of Dongzheng and other villages (Note (a))	2,200	1,000

Note:

(a) The unsecured loans from the committees of Dongzheng and other villages was with interest bearing of 10% per annum.

35 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Other payables (Note (a))	30,196	6,106
Salary and welfare payables	5,805	7,459
Accrued taxes other than income tax (Note (b))	7,889	7,464
	43,890	21,029

35 OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

(a) Other payables are analysed as follows:

	As at 31 December 2018 RMB'000	2017 RMB'000
Other payables		
– Amount due to Mr. Wei Xing (Note (i))	5,011	186
– Amount due to Beijing Jiatai Hengrun Investment Co., Ltd. ("Beijing Jiatai") (Note (ii))	18,380	–
– Third parties (Note (iii))	6,805	5,920
	30,196	6,106

Notes:

(i) Amount due to Mr. Wei Xing was interest free and unsecured, and had no fixed terms of repayment.

(ii) Amount due to Beijing Jiatai, a company owned by Mr. Wei Xing, was interest free and unsecured, and had no fixed terms of repayment.

(iii) Other payables to third parties mainly included payables of equipment purchasing cost, service charges payable and advances from third parties as at 31 December 2018 and 2017.

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

	As at 31 December 2018 RMB'000	2017 RMB'000
Value added tax	3,301	2,881
Resource tax	284	284
Resource compensation fee	4,269	4,269
Others	35	30
	7,889	7,464

The carrying amounts of other payables approximated their fair values.

36 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	1 January 2018 RMB'000	Non-cash changes Financing cash flows RMB'000	31 December 2018 RMB'000
– Loans from committees of Dongzheng and other villages (Note 34)	1,000	1,200	**2,200**

	1 January 2017	Non-cash changes Financing cash flow	31 December 2017
Loan from committee of Dongzheng Village (Note 34)	–	1,000	**1,000**

37 CONTINGENCIES

The Group had contingent liabilities at 31 December 2018 in respect of:

(a) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Save as disclosed in Note 32, the Group is presently not involved in any environmental remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislations, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards.

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

(b) Insurance

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

38 COMMITMENTS

(a) Capital commitments

There is no contracted capital expenditure as at years ended 31 December 2018 and 2017.

(b) Non-cancellable operating leases

Operating leases – lessee

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

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	2,101	2,944
Later than 1 year and no later than 5 years	2,801	4,665
	4,902	7,609

Operating leases – lessor

Certain properties may have been vacated prior to the end of the lease term. Where possible the Group always endeavours to sub-lease such vacant space on short-term lets. An onerous provision is recognised where the rents receivable over the lease term are less than the obligation to the head lessor.

The minimum rent receivables under non-cancellable operating leases are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	1,267	–
Later than 1 year and no later than 5 years	3,600	–
	4,867	–

39 BUSINESS COMBINATIONS

(a) Summary of acquisition of Shaanxi Jiahe

On 22 May 2018, Hami Jiatai and Xiaoyi Dajieshan have reached an agreement for full settlement of the outstanding receivable, which includes the entire equity interests of Shaanxi Jiahe shall be transferred back to Hami Jiatai from Xiaoyi Dajieshan (Note 27(c)).

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

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

	22 May 2018 RMB'000
Total purchase consideration	13,159
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2
Constructions in progress (Note 16)	14,296
Mining rights and exploration rights (Note 17)	15,320
Other receivables	18,231
Other long-term assets	349
Payables to third parties	(23,678)
Provision for close down, restoration and environmental costs (Note 32)	(1,961)
Payables to the Company and its subsidiaries	(9,400)
Deferred tax liability (Note 21)	(1,115)
Total identifiable net assets	12,044
Goodwill (Note 19)	1,115

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

39 BUSINESS COMBINATION (Continued)

(a) Summary of acquisition of Shaanxi Jiahe (Continued)

The fair value of other receivables amounted to approximately RMB18,231,000, which is equal to the gross amount of these receivables. None of these receivables have been impaired and the directors expected that the full contractual amounts can be collected.

The goodwill of RMB1,115,000, which is not deductible for tax purposes, comprises the expected future growth of the financial business to diversify the revenue stream of the existing business of the Group.

The goodwill arising from business combination was fully impaired as at 31 December 2018 (see Note 19).

Shaanxi Jiahe did not generate revenue and contributed net loss of approximately RMB30,875,000 to the Group from the date of acquisition to 31 December 2018. Had the business combination taken place on 1 January 2018, no increase in revenue and loss of the Group for the year ended 31 December 2018 would have been the same approximately RMB30,875,000. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future performance.

The acquisition-related costs of approximately RMB296,000 have been expensed and are included in administrative expenses.

(b) Summary of acquisition of Changshi

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

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

	27 April 2017 RMB'000
Total purchase consideration	–
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	764
Property, plant and equipment (Note 16)	3,316
Other receivables	15,276
Trade and other payables	(18,833)
Total identifiable net assets	523
Gains on bargain purchase (Note 11)	(523)

39 BUSINESS COMBINATION (Continued)

(b) Summary of acquisition of Changshi (Continued)

Purchase consideration – cash inflow

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

The fair value of other receivables amounted to approximately RMB15,276,000, which is equal to the gross amount of these receivables. None of these receivables have been impaired and the directors expected that the full contractual amounts can be collected.

The gain of approximately RMB523,000 on the bargain purchase is attributable to the Group's bargaining power and ability in negotiating the agreed terms of the transaction with the vendor, which has been recognised in "Other gains – net" in Note 11. There were no acquisition-related costs expensed.

The acquired business contributed revenue of approximately RMB12,682,000 and net profit of approximately RMB5,041,000 to the Group for the period from 27 April 2017 to 31 December 2017. If the acquisition had occurred on 1 January 2017, the consolidated pro-forma revenue and loss for the year ended 31 December 2017 would have been approximately RMB36,175,000 and approximately RMB46,387,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future performance.

40 RELATED PARTY TRANSACTIONS

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

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

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

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

(c) For the period from 19 May 2017 to 13 December 2017, the Group's management is of the view that the following persons are related parties of the Group:

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

40 RELATED PARTY TRANSACTIONS (Continued)

(d) For the period from 14 December 2017 to 31 December 2018, the Group's management is of the view that the following persons are related parties of the Group:

Name of related parties	Relationship with the Group
Mr. Guo Jianzhong	An ultimate shareholder of the Company holds 28.08% equity interest in the Group.
China Huarong Asset Management Co., Ltd.	An ultimate shareholder of the Company holds 19.75% equity interest in the Group.

(e) Key management compensation

Included in staff costs are key management personnel compensation and comprises the following categories:

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Basic salaries, allowances and other benefits	4,011	4,635
Contributions to pension plan	15	15
	4,026	4,650

41 TRANSACTIONS AND BALANCES WITH WARBURG

Other than the transactions with related party identified according to HKAS 24, the Company would like to disclose the following transactions and balances with Warburg as the Company's executive directors, Mr. Li Xiaobin and Mr. Liu Huijie, also have been the executive directors of Warburg during the year ended 31 December 2017 and 2018:

(a) Transactions with Warburg

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue		
– Engineering service and other related services provided to Warburg	–	6,650
– Interest income due from Warburg	349	9,048
	349	15,698

41 TRANSACTIONS AND BALANCES WITH WARBURG (Continued)

(b) Balance with Warburg

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Loan receivable		
Non-current portion	–	100,000
Other receivables		
– Interest receivables due from Warburg		
Non-current portion	–	13,123
Current portion	10,493	–
	10,493	113,123

42 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

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

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

The gearing ratios at 31 December 2018 and 2017 were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Total borrowings (Notes 34)	2,200	1,000
Less: cash and cash equivalents (Note 28)	(167,923)	(54,410)
Net cash position	(165,723)	(53,410)
Total equity	440,741	490,656
Total capital	275,018	437,246
Gearing ratio	–	–

43 SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2018 and 2017 are categorised as follows:

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets measured at amortised cost		
– Restricted cash at banks	2,653	–
– Loan receivable	98,856	–
– Trade receivables	11,358	–
– Other receivables	67,181	–
– Cash and cash equivalents	167,923	–
Financial assets at FVOCI		
– Bills receivable	2,300	–
	350,271	–
Loans and receivables		
– Restricted cash at banks	–	2,648
– Loan receivable	–	100,000
– Trade receivables	–	8,975
– Other receivables	–	216,593
– Cash and cash equivalents	–	54,410
	–	382,626
Financial liabilities		
Financial liabilities measured at amortised cost:		
– Trade payables	7,610	12,226
– Other payables and accruals	43,890	21,029
– Borrowings	2,200	1,000
	53,700	34,255

44 EVENTS AFTER BALANCE SHEET DATE

(a) Extension of loan facility to Danfeng

On 12 March 2019, Jiayi entered into a supplementary loan agreement with Danfeng to extend the Loan Agreement of RMB100,000,000 until 1 April 2019. At the board meeting held on 29 March 2019, the directors approved the extension of the Loan Agreement to 11 September 2019.

45 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,180	–
Interests in subsidiaries		126,647	171,785
Other receivables		–	33,436
Total non-current assets		127,827	205,221
Current assets			
Other receivables and prepayments from third parties		51,695	136,124
Other receivables and prepayments from subsidiaries		97,018	91,280
Cash and cash equivalents		154,697	51,996
Total current assets		303,410	279,400
Total assets		431,237	484,621
EQUITY			
Share capital	29	137,361	137,361
Share premium	29	668,768	668,768
Accumulated losses	45(a)	(376,857)	(325,338)
Total equity		429,272	480,791

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

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
Current liabilities			
Other payables		1,818	3,690
Other payable to a subsidiary		147	140
Total current liabilities		1,965	3,830
Total liabilities		1,965	3,830
		431,237	484,621

The balance sheet of the Company was approved by the board of directors on 29 March 2019 and was signed on its behalf.

Xiang Siying	Zhou Jianzhong
Director	*Director*

Note (a) Reserves movements of the Company

	Accumulated losses RMB'000	Other reserves RMB'000
At 1 January 2017	(270,214)	5,057
Loss for the year	(55,124)	–
Reclassified to profit or loss upon disposal of available-for-sale financial assets	–	(5,057)
At 31 December 2017	(325,338)	–
At 1 January 2018	**(325,338)**	**–**
Loss for the year	**(51,519)**	**–**
At 31 December 2018	**(376,857)**	**–**

46 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year representation.

FIVE YEARS FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	32,828	22,845	25,588	3,195	3,504
LOSS BEFORE INCOME TAX	(48,225)	(46,357)	(34,015)	(103,741)	(63,177)
Income tax (expense)/credit	4,695	(1,829)	(1,254)	(608)	6,319
LOSS FOR THE YEAR	(43,530)	(48,186)	(35,269)	(104,349)	(56,858)
Attributable to:					
Equity holders of the Company	(41,269)	(46,129)	(34,615)	(101,808)	(54,466)
Non-controlling interests	(2,261)	(2,057)	(654)	(2,541)	(2,392)
	(43,530)	(48,186)	(35,269)	(104,349)	(56,858)

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
TOTAL ASSETS	522,964	555,205	936,566	625,051	537,881
TOTAL LIABILITIES	(82,223)	(64,549)	(392,667)	(149,311)	(169,716)
NON-CONTROLLING INTERESTS	3,364	1,080	(977)	(1,631)	(4,172)
	444,105	491,736	542,922	474,109	363,993