YUE DA INTERNATIONAL HOLDINGS LIMITED

悅達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 629)

2019

ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS:

Non-executive directors

Mr. Tang Rujun
(Chairman of the Board)
(appointed on 21st March 2019)
Mr. Li Biao
(appointed on 21st March 2019)
Mr. Wang Lianchun
(resigned on 21st March 2019)
Mr. Qi Guangya
(resigned on 21st March 2019)

Executive directors

Mr. Liu Debing
(Vice Chairman of the Board)
(appointed on 21st March 2019)
Mr. Hu Huaimin *(Chief Executive)*
Mr. Cai Baoxiang *(Vice Chief Executive)*
Mr. Bai Zhaoxiang
(Vice Chief Executive and CFO)
(appointed on 21st March 2019)
Mr. Wen Songmao
(resigned on 21st March 2019)
Mr. Mao Naihe
(resigned on 21st March 2019)

Independent non-executive directors

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

AUDIT COMMITTEE:

Mr. Cheung Ting Kee *(Chairman)*
Mr. Liu Debing and Mr. Cui Shuming

REMUNERATION COMMITTEE:

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

NOMINATION COMMITTEE:

Mr. Tang Rujun *(Chairman)*
Mr. Cui Shuming and Dr. Liu Yongping

AUTHORISED REPRESENTATIVES:

Mr. Hu Huaimin
Mr. Bai Zhaoxiang

COMPANY SECRETARY:

Mr. Shum Chi Chung *FCPA*

AUDITOR:

Deloitte Touche Tohmatsu,
Certified Public Accountants

LEGAL ADVISERS AS TO HONG KONG LAW:

Jun He Law Offices

REGISTERED OFFICE:

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE:

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE:

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

STOCK CODE:

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

PRINCIPAL BANKERS:

China Construction Bank
Bank of Communication

WEBSITE:

www.yueda.com.hk

On behalf of the board ("Board") of directors ("Directors") of Yue Da International Holdings Limited (the "Company"), I am pleased to present to the shareholders the results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2019 (the "Year").

FINANCIAL PERFORMANCE

The Group took the final steps in business transformation during the Year by disposing of Yuelong Limited, the last mine, and Yue Da Mining Limited during the Year. Total revenue for the Year amounted to RMB50,689,000 which represented the revenue of the factoring operations and increased by 12.5% when compared with the year ended 31st December, 2018 ("2018"). The mining operations were discontinued during the Year and recorded revenue of RMB13,665,000 which decreased by 67.7% when compared to 2018. Audited profit and total comprehensive income attributable to the owners of the Company for the Year amounted to RMB30,177,000 (2018 Audited loss and total comprehensive expense attributable to the owners of the Company: RMB46,515,000) and basic earnings per share from continuing and discontinued operations amounted to RMB2.58 cents for the Year.

BUSINESS DEVELOPMENT

During the Year, the Group was principally engaged in factoring related business (the "Factoring Operations"), which offers trade finance, sales ledger management, customer credit rating, accounts receivable management and collection, credit risk guarantee, supply chain management and other related solutions and the exploration, mining and processing of metal minerals (the "Mining Operations") in the People's Republic of China ("PRC"). Upon disposal of Yuelong Limited in October 2019, the Group ceased the Mining Operations.

Mining Operations

During the Year, the operations of Baoshan Feilong Nonferrous Metal Co., Ltd. ("Baoshan Feilong"), were disposed of during the Year and the ore concentrates extracted from raw ore was lower than 2018, as a result, the overall revenue of Mining Operations dropped by 67.7%.

Baoshan Feilong, a subsidiary of the Company, conducts mining operations in Baoshan City, Yunnan Province of the PRC. Major products include zinc ore concentrates, lead ore concentrates and copper ore concentrates. The Group had successfully disposed of Baoshan Feilong to Yue Da Group (H.K.) Co., Limited (the "YDHK"), an immediate holding company of the Company by entering into a share purchase agreement at a consideration of RMB230.8 million. The transaction was completed in October 2019 after passing the ordinary resolution at an extraordinary general meeting. A gain of disposal of approximately RMB34,647,000 was recorded during the Year.

PROSPECTS

Looking forward to 2020, the Group will focus on the development of the Factoring Operations. The recent outbreak of the COVID-19 in China and the rest of the world will remain a great challenge to the economy and our operations in the foreseeable future. As at the date of this report, we have not experienced any default in repayment of principal, interest and fee income from our customers. We will remain highly alert about the impact of the epidemic on our operations and take any necessary measures to mitigate the impact. As such, the Directors endeavor to seek suitable business opportunities to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the shareholders as a whole.

APPRECIATION

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

By order of the Board

Tang Rujun
Chairman

Hong Kong, 20th March, 2020

FINANCIAL HIGHLIGHTS

The Factoring Operations of Group recorded an operating revenue of RMB50,689,000 for the Year which is approximately 12.5% higher than that in 2018. The discontinued mining operations recorded revenue of approximately RMB13,665,000 which decreased by approximately 67.7% when compared with that in 2018. During the Year, the Company disposed of the Mining operation in Baoshan Feilong to YDHK successfully with gains arising from subsidiaries disposed of RMB34,647,000. The audited profit and total comprehensive income attributable to the owners of the Company was RMB30,177,000 for the Year compared to an audited loss and total comprehensive expense attributable to the owners of the Company of RMB46,515,000 for 2018 and basic earnings per share from continuing and discontinued operations amounted to RMB2.58 cents for the Year.

DIVIDENDS

The Board did not recommend the payment of any dividend for the Year (2018: nil).

BUSINESS REVIEW

Overview

The Group is principally engaged in Factoring Operations and Mining Operations while the Mining Operations were discontinued during the Year. During the Year, Factoring Operations realized an operating revenue of RMB50,689,000 with segment profit of RMB39,331,000.

Factoring Operations

The Company will continue the Factoring Operations through Yueda (Shenzhen) Commercial Factoring Co., Ltd., ("**Yueda Factoring**", a company established in the PRC and a subsidiary of the Group, which principal business is, among other things, commercial factoring).

During the Year, the Factoring Operations recorded an operating revenue of RMB50,689,000 (2018: RMB45,069,000). Loans with total gross amount of RMB540,009,000 was granted as at 31st December 2019, and recorded interest income and fee income of RMB35,963,000 (2018: RMB32,448,000) and RMB14,726,000 (2018: RMB10,522,000) respectively.

Besides for the further development of the existing commercial factoring business, Yueda Factoring will implement the following services and development activities:

1. Telecommunication instalment services;
2. Accounts receivable consultancy services; and
3. Exploring potential investment opportunities.

Being a state-owned enterprise in Jiangsu province, the Company mainly sourced its customers from contacts of its existing business network within the Yangtze River Delta Region. The business development department of the Company take the main role in customer sourcing and coverage. Most of the customers of the Company's Factoring Operations consist of sizable companies, particularly state-owned enterprises, which are relatively stable and more financially resilient.

The Company adopts an organisation structure that is commonly used by banking institutions and other factoring services providers – general manager office, financing team, risk management department team, business development team, product development team and administration. As at 31 December 2019, the Factoring Operations of the Company has approximately 21 employees and is led by an experienced management team, including:

- Mr. Cai Baoxiang, being an executive director and vice chief executive of the Company, and the chairman of Yueda Factoring, has more than 20 years' experience in banking and business factoring, and has won awards such as China Business Factoring Industry Contribution Award in 2017 and China Business Factoring Industry 5th Outstanding Contribution Individual in 2017 Mr. Cai is an intermediate economist in the PRC and graduated from Jiangsu Open University majoring in Financial Management.

- Mr. Pan Mingfeng, being the general manager of Yueda Factoring, has more than 10 years' experience in marketing, risk control and management, and has previously worked for several renowned enterprises in the financial sector in the PRC. He is responsible for leading the promotion of several innovative factoring projects of Yueda Factoring, including the abovementioned Telecommunication Installment Services.

- Ms. Wang Huan, being the deputy general manager of Yueda Factoring, has over 10 years of experience in the financial industry, and has obtained his MBA of Hong Kong Baptist University in 2015 Ms. Wang is responsible for overseeing overall business development strategies and major business decisions of Yueda Factoring, making use of his extensive experiences and network in the financial industry.

- Ms. Gao Ying being the chief risk officer of Yueda Factoring, has 5 years of experience in the risk management industry. She is a holder of a Ph.D. in financial engineering at the Graduate School of Management of the Chinese Academy of Sciences. During her studies, she has taken part in various research topics such as those related to the causes of the US financial crisis and its impact on the Chinese economy, and the corresponding countermeasures. She is responsible for risk management in Yueda Factoring.

Yueda Factoring conducts its factoring business in the PRC within the scope of its business license. Yueda Factoring (as the factor) provides accounts receivable management and collection services to its customers (as seller) in return for interest and management fee income payments with comprehensive rates of return ranging from approximately 9.6% to 10.5%, composed of interest rate per annum (approximately 5.5% to 8%), and factoring management fee income per annum (approximately 2% to 5%).

Similar to other factoring services providers in the PRC, the Group maintains rigorous risk control measures to reduce risks associated with the Factoring Operations. To minimise risk exposure in factoring business, the Group intends to focus on providing factoring services to customers with sound financial position and reputable shareholders, in particular, state-owned listed entities with stable cashflow and relatively stable financial position.

Prior to the provision of Factoring Services and approval of the grant of revolving loan credit facilities to its factorees, the factoring business team will conduct due diligence on the customer and the risk compliance department will perform a risk assessment on the proposed transaction. The due diligence report and risk assessment report together with the business application form approved by, among others, the heads of factoring business department and risk compliance department and the General Manager, will be submitted to the Review Committee of Yueda Factoring, comprising five members including the Chairman, the directors and the chief risk officer of Yueda Commercial Factoring, for approval. No factoring contracts will be prepared unless approvals from the Review Committee of Yueda Factoring is obtained. The release of the factoring loan shall be approved by the head of factoring business department, the Financial Controller, the General Manager and the Chairman of Yueda Factoring.

Regarding the Group business plan, besides the further development in the existing factoring financial, accounts receivable management and accounts receivable collection services, the Group will implement further development within Factoring Operations, namely (i) telecommunication instalment services, (ii) accounts receivable consultancy services; and (iii) exploring potential investment opportunities.

Existing factoring financial services:

The Group believes that, being a stated-owned enterprise, having state-owned enterprises as its major customers will provide certain a level of risk control on recovery and quality control on collaterals. In view of that, the Group intends to continue to utilise its network of state-owned enterprises in the PRC to expand its factoring business.

The Group has identified several potential new customers for its traditional business of the Factoring Operations. Due to slowdown of economy of China in late 2019 and the COVID-19 outbreak in early 2020, due diligence on certain potential new customers was put on hold and have been postponed to a later date. There has been a temporary downturn in business activities in the Factoring Operations but the Group believes it will pick up again, hopefully later this year, after stabilisation of the COVID-19 outbreak.

Telecommunication instalment services:

The Group is currently in final stage of discussions with two leading telecommunication services providers in the PRC regarding documentation for the co-operation, system interface and upgrade of platform as per latest telecommunication regulations in the PRC. Yueda Factoring will implement the provision of instalment related services in the second half of 2020. Based on preliminary assessment, the interest and fee income rate of the telecommunication instalment services is higher than our original factoring services.

Accounts receivable consultancy services:

The Group joined as a member of the Factors Chain International ("FCI"), which is an international association of factoring services providers. FCI can strengthen our business network and help develop accounts receivable consultancy services to customers for one-off revenue.

Exploring potential investment opportunities:

As at the date hereof, the Company is exploring potential investment opportunities which can further supplement and diversify the existing business of the Group. The Group is still exploring and does not identify any potential target, no definitive agreement has been entered into in relation thereto.

Funding requirements:

The Group will continue to utilise its internal resources and bank loans to develop the Factoring Operations. On top of the existing banking facilities, several banking facilities are being negotiated. The Group will also consider the possibilities of using Asset-Backed Securitization in the future as another funding alternative.

Mining Operations

Baoshan Feilong Nonferrous Metal Co., Limited (the "Baoshan Feilong"), a subsidiary of the Company, conducts mining operation operations in Baoshan City, Yunnan Province of the PRC. Major products include zinc ore concentrated, lead ore concentrates and copper ore concentrates. The Group had successfully disposed of Baoshan Feilong to Yue Da Group (H.K.) Co., Limited (the "YDHK"), an immediate holding company of the company by entering a share purchase agreement at a consideration of RMB230.8 million. The transaction was completed in October 2019 after passing the ordinary resolution at an extraordinary general meeting. A gain of disposal of approximately RMB34,647,000 was recorded during the Year.

IMPORTANT EVENTS DURING THE YEAR

Investment in Vietnam

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On 20th March, 2019, the Company, as the seller, and YDHK, as the purchaser, entered into a Sales and Purchase Agreement ("S&P Agreement") to transfer the entire share capital of YDM at a consideration of US$5,600,000. The Sao Mai deposits form the major part of the assets of YDM. The transaction was completed upon passing the resolutions in the Extraordinary General Meeting on 20th May, 2019. As a result, the Sao Mai deposit was disposed of by the Group under the S&P Agreement.

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

Prospects

Looking forward to 2020, the Group will focus on the development of the Factoring Operations. The recent outbreak of the COVID-19 in China and the rest of the world will remain a great challenge to the economy and our operations in the foreseeable future. As at the date of this report, we have not experienced any default in repayment of principal, interest and fee income from our customers. We will remain highly alert about the impact of the epidemic on our operations and take any necessary measures to mitigate the impact. As such, the Directors endeavor to seek business opportunities to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the shareholders as a whole.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15th May, 2020 to 19th May, 2020, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to determine the identity of the shareholders of the Company who are entitled to attend and vote at the annual general meeting (the "AGM") of the Company to be held on 20th May, 2020, all transfer of shares in the Company accompanied by the relevant share certificates must be lodged with the Company's branch shares registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 14th May, 2020.

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

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

As at 31st December, 2019, the Group's current assets were RMB752,490,000 (2018: RMB896,826,000), of which RMB206,399,000 (2018: RMB162,563,000) were bank balances and cash. As at 31st December, 2019, the net asset value of the Group amounted to RMB369,246,000, representing an increase of approximately 9.6% as compared to RMB336,837,000 in 2018. The gearing ratio (total liabilities/total assets) of the Group was approximately 51.0% (2018: 71.1%).

Borrowings

As at 31st December, 2019, bank borrowings amounted to RMB347,211,000 (2018: RMB348,624,000). Bank borrowings are denominated in Euro, charging at floating rates and repayable in 2021.

FOREIGN CURRENCY EXPOSURE

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

CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2019 and 31st December, 2018, the Group did not have any guarantees and charges nor any other material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31st December, 2019, the Group had a total of approximately 21 employees (where they were located in Hong Kong and the PRC), engaged in management, administration and Factoring Operations. The management reviewed the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practices. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the Year, the Group provided various training courses on relevant business or skills for its management and staff at different levels.

PRINCIPAL RISKS

The Group's financial position, business results and prospects would be affected by a number of risks. The Factoring Operations are exposed to credit risk and liquidity risk. Besides, several assets and liabilities of the Group are denominated in currencies other than Renminbi and are susceptible to foreign exchange risk. The Group's principal risks and uncertainties and the risk management measures are set out on page 45 of the Annual Report.

ENVIRONMENTAL POLICIES AND PRACTICE

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

DIVIDEND POLICY

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

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

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

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

In the opinion of the Board, the Group has complied with all of the code provisions of the Corporate Governance Code ("Code") as set out in Appendix 14 to the Listing Rules throughout the Year, except that (i) the Chairman of the Board was not able to attend the extraordinary general meetings of the Company held on 18th October 2019 (the "October EGM") and 26th November 2019 (the "November EGM") and (deviated from code provision E.1.2) due to other business commitment. Nevertheless, one of the executive Directors and one of the independent non-executive Directors attended and acted as the chairmen of the October EGM and November EGM; (ii) Mr. Li Biao, being a non-executive Director, was not able to attend the annual general meeting of the Company held on 20th May, 2019 (the "2018 AGM") and the extraordinary general meeting of the Company held on 20th May 2019 (the "May EGM"), the October EGM and the November EGM, (deviated from code provision A.6.7) due to his other business commitments; Nevertheless, each of these Directors has passed their opinion to the chairmen of the 2018 AGM, the May EGM, the October EGM and the November EGM before its commencement; and (iii) the non-executive Directors are not appointed for a specific term (deviated from code provision A.4.1). However, all non-executive Directors are subject to retirement and rotation once every three years in accordance with the Company's Articles of Association.

BOARD OF DIRECTORS

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

The main duties of the Board include:

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

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

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

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

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

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

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

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

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

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

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

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

	General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	4	7	2	1	1
Attendance					
Chairman and non-executive Directors					
Tang Rujun	2	4	0	0	0
Wang Lianchun	0	0	0	0	0
Non-executive Directors					
Li Biao	0	2	0	0	0
Qi Guangya	0	0	0	0	0
Executive Directors					
Liu Debing	0	3	1	0	0
Hu Huaimin	3	7	0	0	0
Cai Baoxiang	0	5	0	0	0
Bai Zhaoxiang	4	6	0	0	0
Wen Songmao	0	0	0	0	0
Mao Naihe	0	1	0	0	0
Independent non-executive Directors					
Cui Shuming	4	5	2	1	1
Liu Yongping	4	6	0	1	1
Cheung Ting Kee	4	6	2	0	0

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

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

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

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

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

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

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

Notes:

A Attending seminars and/or conferences and/or forum

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

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

CHAIRMAN AND CHIEF EXECUTIVE

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

NON-EXECUTIVE DIRECTORS

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

Directors' responsibility for the Financial Statements

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

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

The report from the auditor of the Company regarding their responsibilities and opinion on the financial statements of the Group for the Year is set out in the "Independent Auditor's Report" to this annual report. The Board has taken steps to ensure the continued objectivity and independence of the external auditor. For the Year, the remuneration paid/payable to the external auditor of the Company were approximately HK$2,000,000 and HK$1,830,000 in respect of the audit and non audit services provided to the Group respectively. Details of the significant non audit services and the related amount are as follows:

Review of continuing connected transactions	HK$50,000
Professional services rendered in connection with major transaction	HK$380,000
Professional services rendered in connection with very substantial disposal and connected transaction	HK$1,400,000

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

BOARD COMMITTEES

Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Remuneration Committee

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

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

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

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

The emolument payable to Directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee and approved by the Board. Details of the Directors' remuneration are set out in Note 7 to the consolidated financial statements.

Nomination Committee

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

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

The principal duties of the Nomination Committee are as follows:

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

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

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

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

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

Risk Management and Internal controls

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

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

Company Secretary

Mr. Shum Chi Chung was appointed as the Company Secretary with effect from 18th August, 2015. All Directors have access to the advices and services of the Company Secretary. During the year ended 31st December, 2019, Mr. Shum Chi Chung has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

Investors' Relations and Communication with Shareholders

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

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

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

Shareholders may also receive the latest information released by the Company electronically. The annual general meeting of the Company is a communication channel between the shareholders and the Board members, including independent non-executive Directors and the senior management. The chairman of the Board and chairmen of each committee shall try their best to attend the meeting to answer questions raised by the shareholders. During the Year, the Company held the 2018 AGM and three EGMs, at which a separate resolution was proposed in respect of each motion.

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

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

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

Shareholders' Rights

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

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

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

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

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

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

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

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

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

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

SCOPE AND REPORTING PERIOD

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

The Group principally engaged in exploration, mining, processing and sale of metal minerals; and commenced the Factoring Operations in the second half of the fiscal year 2017. The Factoring Operations have been included in the reporting scope since the fiscal year 2018, due to its growth. With the growth of the Factoring Operations, this division had become one of the major businesses of the Group with a substantial contribution to the Group's revenue. Disposal of its subsidiary, Baoshan Feilong, was completed in the reporting period.

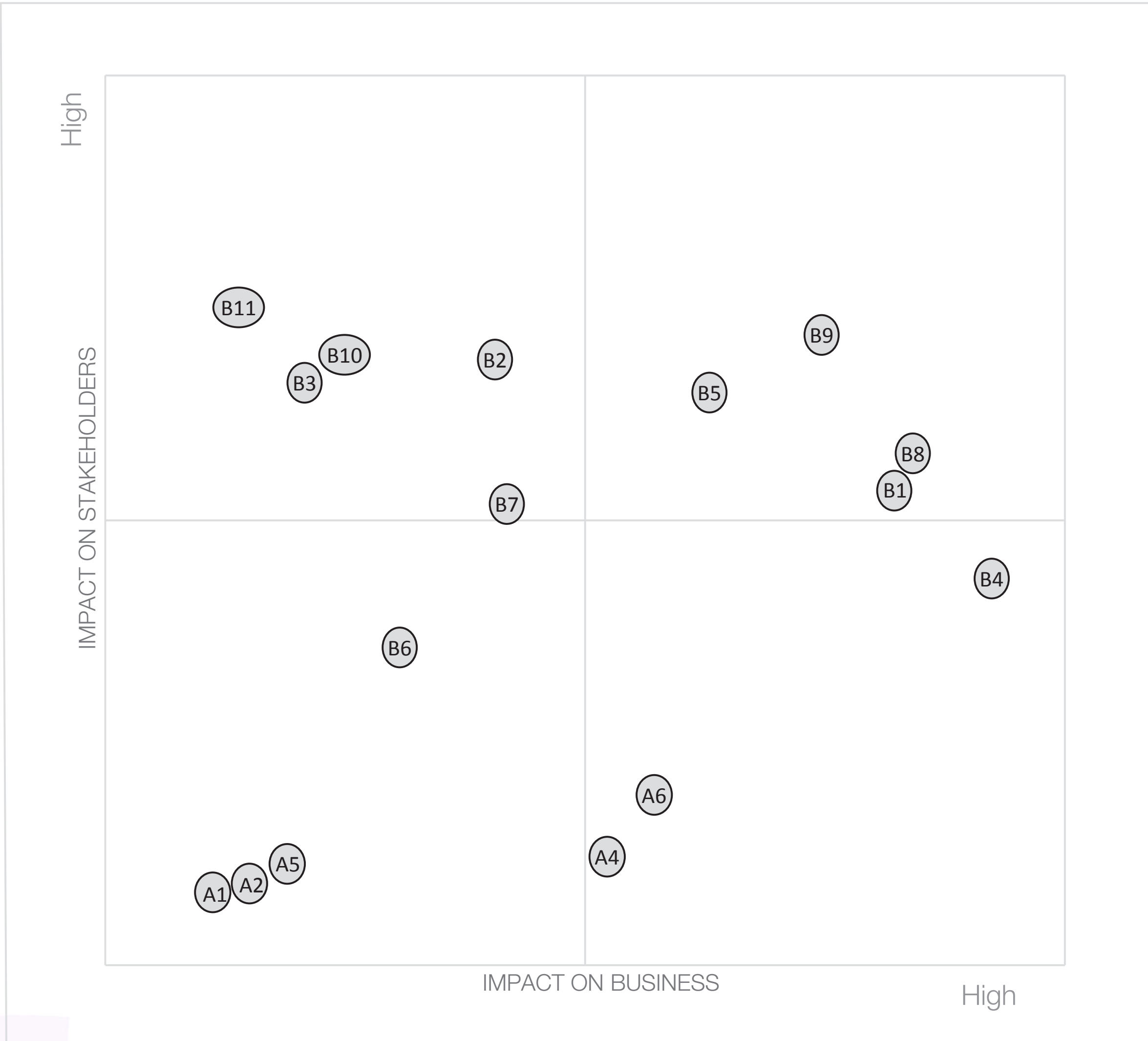
This ESG Report covers the Group's overall performance in two subject areas, namely Environmental and Social of the Mining Operations of Baoshan Feilong Nonferrous Metal Company Ltd. ("Baoshan Feilong") and the Factoring Operations of Yueda (Shenzhen) Commercial Factoring Co. Ltd., from 1st January 2019 to 31st December 2019, unless otherwise stated. Baoshan Feilong conducts mining operations in Baoshan City, Yunnan Province of the People's Republic of China ("PRC"). Major products are zinc ore concentrates, lead ore concentrates, and copper ore concentrates. Yueda (Shenzhen) Commercial Factoring Co. Ltd. provides factoring services, accounts receivable management and collection, and factoring consultancy services. Other business operations with insignificant contribution to the Group's revenue and environmental and social impacts were excluded from the reporting scope.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

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

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

In particular, the Group collected views from the internal stakeholders through surveys to identify the material ESG aspects to be focused in this ESG Report. The Materiality Matrix below shows the result of our materiality assessment process:



A. Environmental Issues	
Energy	A1
Water	A2
Emissions	A3
Effluent and Waste	A4
Other Raw Materials Consumption	A5
Environmental Protection Policies	A6
B. Social Issues	
Employment	B1
Health and Safety	B2
Development and Training	B3
Labor Standards	B4
Supply Chain Management	B5
Intellectual Property Rights	B6
Customer Data Protection	B7
Customer Service	B8
Product Quality	B9
Anti-corruption	B10
Community Investment	B11

Among the environmental and social aspects, the following five ones were the material aspects of the Group's operation:

– Product quality;

– Customer service;

– Employment;

– Supply chain management; and

– Labour Standards.

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

STAKEHOLDERS' FEEDBACK

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

THE GROUP'S VISION ON ENVIRONMENT, SOCIAL AND GOVERNANCE

As a leading state-owned enterprise in China, the Board and the management team of the Group believes that it must fulfil its corporate social responsibility in addition to its economic value. The Group attaches great importance to corporate integrity and production safety while emphasizing social responsibility, which earned it several recognitions in respect of corporate integrity, production safety and contribution to the society.

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

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

A. Environmental

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

Total mining area coverage of Baoshan Feilong was approximately 5.01 km^2 and its production (including zinc, lead and copper products) in the reporting period was 1350 tonnes. Intensities for the mining operation are calculated as the units of resources consumed or wastes generated per tonnes of production.

A1. Emissions

A1.1 Air Emissions

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

Air emissions (non-GHG) from gaseous combustion and vehicles

Fuel Source	Use of fuel	NOx (in kg)	PM (in kg)	SOx (in kg)
LPG	For canteen operation	0.054	N/A	0.00027
Petrol	For vehicles	3.46	0.34	0.091
Diesel	For vehicles	10.50	0.24	0.048
TOTAL		14.02	0.58	0.14

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

A1.2 Greenhouse Gas ("GHG") Emissions

Scope of GHG Emissions	Emission Sources	Emission (in tonnes of carbon dioxide equivalent "tCO_2e")	Total Emission Percentage
Scope 1 Direct Emissions			
Combustion of fuel for stationary sources	LPG	0.89	
Combustion of fuel for mobile sources	Petrol	16.66	1%
	Diesel	8.31	
Scope 2			
Energy Indirect Emissions	Purchased electricity	2,923.73	95%
Scope 3			
Other Indirect Emissions	Paper waste disposal	1.4	
	Fresh water processing	73.06	4%
	Sewage processing	9.81	
	Business air travel	36.43	
Total		3,070.29	100%

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

Note 2: Combined margin emission factor of 0.54 tCO_2/MWh was used for purchased electricity from China Southern Power Grid of the PRC.

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

There were 3,070.29 tCO_2e emission from the Group's operation (mainly carbon dioxide, methane and nitrous oxide) (emission intensity of 2.27 tCO_2e/tonnes of production) in the reporting period. The emission had dereased when compared to the last reporting period due to the disposal of Baoshan Feilong.

A1.3. Hazardous Waste

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

A1.4. Non-hazardous Waste

33,200 tonnes (waste intensity of 24.59 tonnes of waste/tonnes of production) of mine tailings were generated in the reporting period. Mine tailings were used for mine backfill.

Industrial Wastewater

45,223 m^3 (wastewater intensity of 33.5 m^3 of wastewater/tonnes of production) of wastewater was generated from dewatering of mine tailings. The wastewater intensity had decreased when compared to the last reporting period. The wastewater was treated by sedimentation before discharging to the river. Wastewater discharged met the local discharge standard.

Parameters	**Discharge Limits**	**Average Detected Valued**
Biochemical Oxygen Demand	60 mg/L	56.5 mg/L
pH	7-9	8.65
Ammonia Nitrogen	8 mg/L	0.62 mg/L
Arsenic	0.3 mg/L	0.0021 mg/L
Mercury	0.03 mg/L	0.00004 mg/L
Lead	0.5 mg/L	0.06 mg/L
Zinc	1.5 mg/L	0.023 mg/L
Cadmium	0.05 mg/L	0.003 mg/L
Chromium	1.5 mg/L	0.002 mg/L

A1.5. Measures to Mitigate Emissions

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

A1.6. Waste Reduction and Initiatives

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

A2. Use of Resources

A2.1. Energy Consumption

Energy Consumption Sources	Use of Fuel	Direct Consumption	Consumption (in kWh)
LPG	For canteen operation	294 kg	4,098
Petrol	For vehicles	6,179 L	54,755
Diesel	For vehicles	3,005 L	30,047
Electricity	For Mining and Factoring Operations	5,392,835 kWh	5,392,835

The total energy consumed in kWh was 5,481,735.24 kWh (energy intensity of 4,060.51 kWh/tonnes of production) during the reporting period.

A2.2. Water Consumption

Baoshan Feilong consumed surface water for its operation. The amount of water consumed was within the statutory limit and no issue in sourcing water that is fit for purpose occurred during the reporting period. The consumption by Baoshan Feilong was 180,894 m^3 (water intensity of 134 m^3 of water consumption/tonne of production). The water intensity had slightly increased when compared to the last reporting period, which was mainly due to the improved and more comprehensive water data collection during the reporting period.

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

A2.3. Energy Use Efficiency Initiatives

Electricity has been used for the office operation, ore dressing and electricity consumption for underground work. The Group turns off unnecessary air conditioners and lightings during lunch breaks and after work hours. Employees are also encouraged to switch off other idling electrical appliances. The administration department usually controls the temperature of the air conditioners at 26 degree Celsius or above. To reduce energy use, only ventilation fans are switched on during the winter period. The Group would further promote and raise its employees' awareness of energy conservation in the coming years.

A2.4. Water Use Efficiency Initiatives

The Group is concerned about water use and strives to conserve water resources through reuses water whenever possible. During the reporting period, 75% of the water was reused in the Mining Operations. In the Factoring Operations, reminders have been posted at conspicuous locations in toilets to remind employees to conserve water.

A2.5. Packaging Materials

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

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

Types of emission sources the Group's operations involved in the reporting period were mainly LPG, petrol, diesel and electricity, with the generation of non-hazardous waste and industrial wastewater. The Group understands that purchased electricity was the major source of its GHG emission. Therefore, it strives to reduce electricity consumption whenever possible. The Group will strive to further improve our energy conservation, reduce emission and prevent the production of waste.

B. Social

1. Employment and Labour Practices

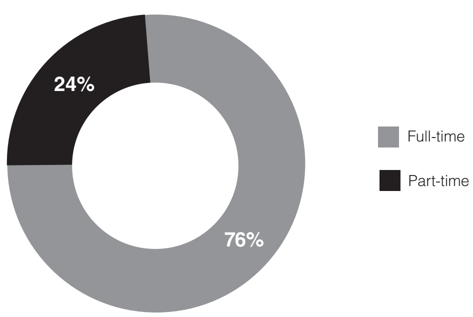
B1. Employment

The operations in Mainland China had a total number of 287 employees before the disposal of its subsidiary, and 21 employees at the end of the reporting period. All employees are from various provinces in PRC. In the Factoring Operations, a total of 8 employees had left the Group during the reporting period (turnover rate: 38%). The turnover rate of the Mining Operations, which were disposed of in October 2019, was not included.

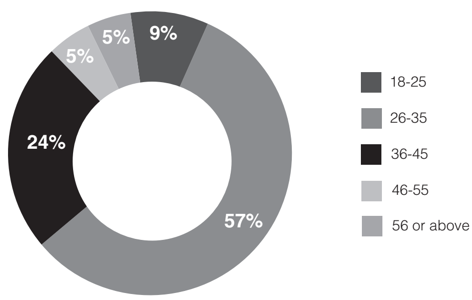
There was no material non-compliance in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact to the Group during the reporting period.

The figures below illustrate the workforce distribution by different categories as of 31 December.

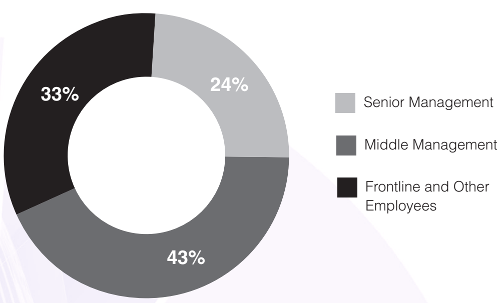
Workforce by Employment Type



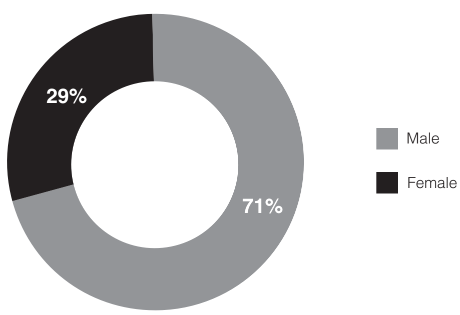
Workforce by Age Group



Workforce by Employment Category



Workforce by Gender



Competitive Compensation and Benefits Package

Employees are the Group's most valuable assets, so the Group pays great attention to the recruitment and retention of talents. Employees are entitled to basic salary with various allowance as per their job positions, duties, experience and work performance. The Group provides social insurance (including pension fund, Housing Provident Fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) in accordance with the Social Insurance Law of the PRC. Commercial combined insurance was also purchased for employees in the Factoring Operations. Various types of leave are provided including annual, sick, work-related injury, marriage, maternity and compassionate leave. The Group reviews employees' salary annually and provides subsidies on telecommunication charge and meals. The Group complies with the employment regulation of the PRC and the local government on the working hours, leaves, and other benefits.

Recruitment, Internal Promotion and Dismissal

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

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

Equal Opportunity

The Group is committed to promoting equal opportunities for employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Employee remuneration does not differ because of age, gender, ethnic, background, religion, colour, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law.

Employee Communication

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

Engagement activities are regularly organised to enhance employees' sense of belonging. During the reporting period, the Group and the Workers' Congress have arranged sports day and departmental team-building activities to build workplace camaraderie and improve teamwork. An activity room has been set for employees to take rest and communicate with each other.

B2. Employee Health and Safety

Occupational Health and Safety

The Group attaches great importance to occupation health and safety of employees and is committed to ensuring a safe and healthy working environment for employees. It strictly abides by all the laws and regulations that are significant to the Group regarding workplace safety and prevention of occupational hazard.

The importance of safety production is always emphasized in Baoshan Feilong. Its safety performance has been constantly reviewed and improved through:

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

Employees are constantly reminded of the health and safety knowledge and emergency incident procedures through notice boards, occupational health and safety regulations, and the hazard warning labels that are posted at conspicuous locations. Safety training and personal protective equipment are provided to employees with respect to the national regulations. Fire drills were conducted during the reporting period to prepare employees for an emergency.

Occupational Health and Safety Data in 2019	
Work related fatality	0
Work injury cases >3 days	0
Work injury cases ≤3 days	0
Lost days due to work injury	0

There was no case of work-related fatality or injury during the reporting period.

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

Indoor Environmental Quality

To improve the environmental quality in office and to cultivate environmental awareness, the Group chose eco-friendly building and furnishing materials, despite a higher price, during renovation. Ventilation and air purifiers were introduced to improve the indoor air quality, and hence the health of employees.

B3. Development and Training

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

In the Factoring Operations, a training score scheme is adopted to encourage employees to participate in internal and external training and academic advancement programs. Training sessions regarding industrial knowledge, relevant laws and regulations, news and politics are arranged quarterly to equip its employees to enhance their job performance. To ensure the effectiveness of training, the Group identifies employees' training needs through questionnaires before conducting large-scaled training.

Training and Development Data in 2019

Total Number of Employees	287
Total Training Hours	7,344
Percentage of Employees trained by Gender	
– Male	94%
– Female	86%
Percentage of Employees trained by Employment Category	
– Senior Management	62%
– Middle Management	69%
– Frontline and Other Employees	97%
Average Training Hours Completed per Employee by Gender	
– Male	26.47
– Female	20.73
Average Training Hours Completed per Employee by Employee Category	
– Senior Management	14.77
– Middle Management	49.66
– Frontline and Other Employees	23.31

B4. Labour Standards

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

2. Operating Practices

B5. Supply Chain Management

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

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

B6. Product Responsibility

In the mining operation, the Group focuses on safe and scientific development in order to become a more sizeable, premium and competitive enterprise. Baoshan Feilong ensures that product quality meets customers' expectation by providing samples.

In the Factoring Operations, the Group has rigorous risk control measures to reduce risks associated with the Factoring Operations. Before loan approval, the Group conducts due diligence investigation to assess customer's loan repayment capacity and the associated risks. Due diligence reports will then be reviewed and approved by professional parties before the agreement is being drafted by the legal department. The agreement serves to protect the Group from operational risks and will be signed by professional law firms. The Group also monitors the financial health of the customers closely to further prevent and reduce any potential risk after loan. The Group also targets state-owned enterprises and conglomerate as their major customers, which are relatively stable and more resilient to risks.

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

Customer Data Protection and Privacy

The Group understands the importance of protecting the privacy of customers and hence it stipulates all employees to keep business secrets in confidential. All employees acknowledge and warrant not to disclose trade secrets and other confidential data and information by signing the employment contract. Important information and data are managed by a dedicated person, and registration is required for accessing such information and data. Employees violating confidentiality-related regulations can be dismissed.

B7. Anti-corruption

The Group commits to manage all business without undue influence and has regarded honesty, integrity, and fairness as its core values. In order to strengthen internal management, create an honest corporate culture, and foster the awareness of honesty among employees, the Group proactively engages employees of different management levels in integrity promotion activities, which covers the regulation "Six prohibitions and six bans" developed by the Group. Senior employees of the group are required to sign a bribery agreement. During the reporting period, the Group organized visits to the anti-corruption education centre and cultural park in the PRC.

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

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

B8. Community Investment

Due to its business nature, the Group does not have any specific policies in relation to community engagement and donation during the reporting period. However, employees are encouraged to participate in community projects and activities.

EXECUTIVE DIRECTORS

Mr. Liu Debing, aged 50, graduated with a bachelor's degree in financial accounting from Nanjing University of Science and Technology in December 1992. Mr. Liu is an intermediate accountant and chartered accountant. Mr. Liu has over 25 years of experience in the financial accounting industry. Upon graduation, Mr. Liu worked in the accounting and finance department of various companies in the PRC from July 2000 to April 2007. Subsequently, Mr. Liu worked as the chief financial officer at Shanghai Yueda Real Estate Co., Ltd. from April 2007 to September 2014, and at Shanghai Yueda New Industrial Group Co., Ltd. from September 2014 to January 2018. Mr. Liu has been serving as the head of finance department of Jiangsu Yueda Group since January 2018, and deputy secretary, general manager and director of Yueda Capital Company Limited since January 2019, which owns 100% of issued share capital of Yueda Capital (HK) Limited and Yueda Capital (HK) Limited owns 51.34% issued share capital of the Company.

Mr. Hu Huaimin, aged 46, joined the Group in January 2007 and was appointed as an executive Director in August 2011. He is also the chief executive of the Company. His major job responsibilities include the overall business operations of the Group focusing on strategic planning and business development. Mr. Hu graduated from the Law School of Nanjing University and is qualified as a Chinese lawyer and an economist. He has over 20 years of experience in the PRC legal practice, corporate legal affairs, investment project operation and management. Mr. Hu is a director of each of four subsidiaries of the Group.

Mr. Cai Baoxiang, aged 55, was appointed as an executive director and vice chief executive of the Company. He is also the Chairman of Yueda (Shenzhen) Commercial Factoring Co., Ltd., an indirect wholly-owned subsidiary of the Company. Mr. Cai is an intermediate economist in the PRC and graduated from Jiangsu Open University with major in Financial Management. He has over 30 years' experience in banking and business factoring.

Mr. Bai Zhaoxiang, aged 57, is a college graduate majoring in industrial accounting and a senior accountant in the PRC. Mr. Bai has over 30 years of experience in the accounting industry. He is currently an Executive Director and the financial controller of the Company responsible for all accounting and financial matters of the Company. Prior to joining the Company, Mr. Bai worked as a financial controller of a foreign-invested enterprise in the PRC for approximately 13 years. Mr. Bai is a director of each of four subsidiaries of the Group.

NON-EXECUTIVE DIRECTORS

Mr. Tang Rujun, aged 48, graduated with a specialist degree in accounting from the Nanjing University of Economics in July 1992, a bachelor's degree in economic management from the Central Party School in July 1997, a bachelor's degree in accounting from Nanjing University of Economics in September 1999, and a master's degree in business administration from the Shanghai University of Technology in June 2012. Mr. Tang is a senior accountant, chartered accountant, senior economist and senior auditor, Mr. Tang has over 25 years of experience in the accounting and finance. Upon graduation, worked in accounting and finance roles at various companies in the PRC for approximately 20 years, including working as the Chief Financial Officer of Yancheng Chemical Fiber Group Co., Ltd. from August 2000 to August 2001, and working as the Deputy Minister of Finance of Jiangsu Yueda Investment Co., Ltd.（江蘇悅達投資股份有限公司）(Stock Code: SHA600805), a company listed on the Shanghai Stock Exchange, from September 2001 to April 2006, and as the head of the Audit Department of Jiangsu Yueda Group Co., Ltd. from April 2006 to February 2012. Mr. Tang also previously worked as the Vice Preseident of Jiangsu Yueda Investment Co., Ltd. from February 2012 to June 2015. Mr. Tang has been serving as the director of Jiangsu Yueda Group Co., Ltd. since October 2016, as the deputy secretary, deputy managing director and general manager of Jiangsu Yueda Southern Holdings Co., Ltd. since July 2015, and as the secretary and managing director of Yueda Capital Company Limited since January 2019, which owns 100% of issued share capital of Yueda Capital (HK) Limited and Yueda Capital (HK) Limited owns 51.34% issued share capital of the Company.

Mr. Li Biao, aged 53, graduated with a specialist degree in pricing from Yancheng Business School in July 1985, and in political economics from the Party School of the Provincial Party Committee in January 2004. Mr. Li has over 20 years of management experience. Mr. Li worked as the director of the Yancheng Municipal Communist Youth League Committee Office from November 1997 to November 2003, and as a deputy director and, subsequently, a director in the Investment Promotion Bureau of the Yancheng Economic Development Zone from November 2003 to December 2006. He was appointed as a vice president of the Company from 2006 to 2009, a deputy general manager of Yueda Real Estate Group from June 2011 to August 2013, and the chairman and deputy secretary 4 of the party committee of Yueda Real Estate Co., Ltd. from August 2013 to March 2017. Mr. Li has been serving as the party secretary and chairman of Yueda Real Estate Group Co., Ltd. since March 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cui Shuming, aged 82, has been appointed as an independent non-executive director of the Company since January 2007. He is a senior economist in the PRC and graduated from the People's University of China. He has over 40 years' experience in international finance and corporate planning and management. Mr. Cui was deputy head of the Bank of China, Jiangsu Branch, and managing director of the National Commercial Bank Ltd.（浙江興業銀行）and the general manager of its Hong Kong branch. Mr. Cui was a director and deputy chief executive officer of Ka Wah Bank Limited and is currently, an independent non-executive director of China LotSynergy Holdings Limited (Stock code: 1371) and was an independent non-executive director of Burwill Holdings Limited (Stock code: 0024) and he resigned on 20th October, 2019, the shares of both companies are listed on the Main Board of the Stock Exchange.

Dr. Liu Yongping, aged 64, has been appointed as an independent non-executive director of the Company since June 2010. He is a consultant of a firm of solicitors in Hong Kong. Dr. Liu graduated from Renmin University of China（中國人民大學）in 1983 with a bachelor degree in law, and graduated from the University of London in 1987 with a master degree in law. In 1994, Dr. Liu graduated from the University of Oxford with a doctor of philosophy. Previously, Dr. Liu worked for the People's Government of Beijing. At present, Dr. Liu is a practicing solicitor in Hong Kong. Dr. Liu has profound knowledge in the laws of the PRC, Hong Kong and England. Since 1994, Dr. Liu has embarked in areas on listing application for PRC based companies in Hong Kong and work on merger and acquisition. Dr. Liu is acquainted with matters concerning the Listing Rules. Dr. Liu is an independent non-executive Director of Wanjia Group Holdings Limited (Stock code: 0401), a company listed on the Main Board of the Stock Exchange.

Mr. Cheung Ting Kee, aged 50, has been appointed as an independent non-executive director of the Company since July 2015. He has over 24 years of working experience in the securities industry including equity research, equity sales, fund management and corporate finance. Mr. Cheung is currently the sole director and a responsible officer of a Hong Kong company being a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance ("SFO"). Mr. Cheung obtained a Bachelor of Business Administration degree and a Master in Professional Accounting. He is a fellow member of the Institute of Certified Management Accountants, Australia. Mr. Cheung was an independent non-executive director of Deson Construction International Holdings Limited (Stock code: 8268) and he resigned on 29th July, 2019, a company listed on the GEM of the Stock Exchange.

Directors' Report

The Board of Directors presents the annual report and the audited consolidated financial statements of the Company for the year ended 31st December, 2019.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 62 of this annual report.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31st December, 2019.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past financial years is set out on page 150 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the Year, the Group spent approximately RMB11,460,000 on property, plant and equipment.

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

SHARE CAPITAL

Details of the Company's share capital as at 31st December, 2019 are set out in Note 27 to the consolidated financial statements.

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2019, which represent the share premium, contributed surplus and accumulated losses, were RMB196,232,000.

BUSINESS REVIEW

Business review of the Company and a discussion and analysis of the Group's performance using financial key performance indicators during the Year and the material factors underlying its results and financial position are set out in the Chairman's Statement and Management Discussion and Analysis on pages 3 to 13 of the Annual Report.

PRINCIPAL RISK AND UNCERTAINTIES

1. Effects of changes in exchange rates

The effects of changes in exchange rates on the Group mainly include bank loan which is denominated in Euro. To cope with the above risk, the Company will closely monitor the fluctuation in exchange rates.

2. Credit risk

Credit risk is the primary risk that we face in our Factoring Operations. Credit risk arises from the inability or unwillingness of our customers, or the underlying debtors to make timely payments to us and/or to perform their contractual obligations. Our credit risk management measures were implemented to control credit risk. Details of the risk management measures are set out in page 7 of Management Discussion and Analysis.

3. Liquidity risk

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

More information of the Group's environmental performance is set out in the section headed "Environmental, Social and Governance Report" on pages 25 to 40.

RELATIONSHIP WITH EMPLOYEES AND CUSTOMERS

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

The Group values mutually beneficial long standing relationships with its customers. The Group aims at developing on mutual trust among its customers.

DIRECTORS

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

Non-executive Directors:

Mr. Tang Rujun *(Chairman of the Board)*
Mr. Li Biao

Executive Directors:

Mr. Liu Debing *(Vice Chairman of the Board)*
Mr. Hu Huaimin *(Chief Executive)*
Mr. Cai Baoxiang *(Vice Chief Executive)*
Mr. Bai Zhaoxiang *(Vice Chief Executive and CFO)*

Independent non-executive Directors:

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

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

CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

DIRECTORS' REMUNERATION

The basis of determining the remuneration payable to the Directors is set out in the Corporate Governance Report on page 21 of the annual report. Details of Directors' remuneration are set out in Note 7 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 41 to 43 of the annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Options" in page 49 of the annual report, no equity-linked agreements were entered into by the Group, or existed during the Year.

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

As at 31st December, 2019, the interests of each Director and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	**Name of the Company/associated corporation**	**Capacity**	**Number of ordinary shares** ***(Note i)***	**Approximate percentage of issued share capital of the Company** ***(Note ii)***
Hu Huaimin	The Company	Beneficial Owner	1,130,666 (L)	0.10%
Li Biao	The Company	Beneficial Owner	690,640 (L)	0.06%

Notes:

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

ii. The percentage of issued share capital of the Company is calculated by reference to 1,168,626,516 shares in issue as at 31st December, 2019.

Other than as disclosed above and in this annual report, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations as at 31st December, 2019.

SHARE OPTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Further particulars and details of movements of the Scheme are set out in Note 34 to the consolidated financial statements. There were no share options exercised during the Year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's Scheme disclosed above, at no time during the Year was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Further, save for the Scheme, the Group had not issued or granted any convertible securities, options, warrants or other similar rights during the year. As at 31st December, 2019, the Group had no redeemable securities.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

The following are the continuing connected transactions that took place during the year ended 31st December, 2019 and which were not exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

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

On 11th November, 2018, the Company (as tenant) entered into a tenancy agreement (the "HK Office Tenancy Agreement") with YDHK (as landlord) for renting the Company's office in Hong Kong for a term of one year from 1st January, 2019 to 31st December, 2019. The rental payable to YDHK is HK$260,000 per month (excluding rates, management fees and utility charges). YDHK is a shareholder of the Company and accordingly is a connected party. Further, the Company has, on the same date, also entered into three tenancy agreements with Yue Da Enterprise for staff quarter purpose, each for a term of one year from 1st January, 2019 to 31st December, 2019 and at a monthly rental of HK$18,000, HK$15,000 and HK$20,000, respectively. Yue Da Enterprise is a fellow subsidiary of the Company and deemed to be a connected party. During the Year ended 31st December, 2019, the total rentals paid and payable by the Company to YDHK and Yue Da Enterprise are HK$3,120,000 (equivalent to RMB2,770,000) and HK$636,000 (equivalent to RMB565,000), respectively. These transactions constituted continuing connected transactions of the Company and are subject to announcement and reporting requirements under Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 11th November, 2018.

Reverse Factoring agreement ("Reverse Factoring Agreement") with YDRE and its project companies

On 30th September, 2019, Yueda (Shenzhen) Commercial Factoring Co., Limited ("Yueda Commercial Factoring"), an indirect wholly-owned subsidiary of the Company entered into a reverse factoring agreement (the "Reverse Factoring Agreement") with Yueda Real Estate Group Company Limited ("YDRE"). The Reverse Factoring Agreement is a master agreement which sets out the principles upon which detailed terms of the definitive agreements are to be determined. Definitive factoring agreements shall be entered into between Yueda Commercial Factoring and the Project Companies upon the grant of the factoring loans and detailed terms, including the interest rate and factoring management fees (collectively, the "Interest and Fees"), the term of the factoring loan and the repayment schedule of each transaction will be determined in accordance with the principles set out in the Reverse Factoring Agreement. Pursuant to the Reverse Factoring Agreement, Yueda Commercial Factoring offered a reverse revolving credit limit of RMB90,000,000, which is to be shared among the Project Companies and the Annual Interest and Fees shall range from 10% to 12% of the loan principal. The available period of the factoring facilities is from 1st November, 2019 to 31st October 2022. YDRE guarantees the repayment by Project Companies. As approximately 80.19% of the issued shares of YDRE is owned by YDHK, which is a shareholder of the Company and accordingly YDRE is a connected party. These transactions constituted continuing connected transactions of the Company and are subject to announcement and reporting requirements under Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 30th September, 2019 and 5th November 2019. During the year ended 31st December, 2019, the total interest income and fee income of RMB119,000 and RMB30,000 were recorded and loans with total gross amount of RMB55,009,000 were granted under the Reverse Factoring Agreement.

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

Details of the above continuing connected transactions and other discloseable connected transactions are set out in Note 42 to the consolidated financial statements.

Share disposal agreement ("Disposal Agreement") with YDHK

On 20th March, 2019, the Company (as seller) entered into a share disposal agreement (the "Disposal Agreement") with YDHK (as purchaser). Pursuant to the Disposal Agreement, the Company has conditionally agreed to sell and YDHK has conditionally agreed to purchase the entire equity interest of Yue Da Mining Limited at a consideration of USD5.6 million.

Yue Da Mining Limited is a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding. All conditions precedent have been fulfilled and the completion of the Disposal Agreement took place in May 2019.

The entering into of the Disposal Agreement would present an opportunity of the Company to realise the value of the investment deposit in Vietnam. Besides, the consideration paid by YDHK is higher than the net asset value of Yue Da Mining Limited and its subsidiaries. The board of directors are of the view that the terms and conditions of the Disposal Agreement and the transaction are fair and reasonable and are in the best interests of the Company and the shareholders as a whole.

Share purchase agreement ("SPA") with YDHK

On 23rd July, 2019, the Company (as seller) entered into a share purchase agreement (the "SPA") with YDHK (as purchaser). Pursuant to the SPA, the Company has conditionally agreed to sell and YDHK has conditionally agreed to purchase the entire equity interest of Yuelong Limited at a consideration of RMB230.8 million.

The Sale Shares represents the entire share issued share capital of the Target Company, which is an investment holding company and its principal asset is the 100% of the issued share capital of Baoshan Feilong. Baoshan Feilong conducts mining operations in Baoshan City, Yunnan Province of the PRC and its major products include zine ore concentrates, lead ore concentrates and copper ore concentrates. All conditions precedent have been fulfilled and the completion of the SPA took place in October 2019.

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

CONTROLLING AND SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST

The register of controlling and substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that as at 31st December, 2019, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

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

Notes:

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

(ii) The percentage of issued share capital of the Company is calculated by reference to 1,168,626,516 shares in issue as at 31st December, 2019.

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

Other than as disclosed above, the Company has not been notified of any other persons who as at 31st December, 2019, had interests of 5% or more in any shares or underlying shares of the Company.

OTHER DIRECTORS' INTEREST

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

Name of Director	Name of substantial shareholder of the Company	Position in substantial shareholder of the Company
Mr. Tang Rujun	Jiangsu Yue Da	Director
	Yueda Capital Company Limited	Secretary and Managing Director
	Yue Da Capital HK	Director
Mr. Li Biao	YDHK	Director
Mr. Liu Debing	Yue Da Capital HK	Director
	Yueda Capital Company Limited	Director

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers from continuing and discontinued operations during the year accounted for approximately 84.0% of the Group's total revenue and the largest customer accounted for approximately 28.1% of the Group's total revenue. The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 61.7% of the Group's total purchases and the largest suppliers from continuing and discontinued operations accounted for approximately 22.8% of the Group's total purchases.

The Directors, their associates and substantial shareholders of the Company did not have any interest in the suppliers or customers as disclosed above as at 31st December, 2019.

PERMITTED INDEMNITY PROVISION

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

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

EMOLUMENT POLICY

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

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2019.

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

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

AUDITOR

The financial statements of the Company for the year ended 31st December, 2019 were audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Tang Rujun
CHAIRMAN

Hong Kong
20th March, 2020

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Yue Da International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 62 to 149, which comprise the consolidated statement of financial position as at 31st December, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key audit matter	How our audit addressed the key audit matter
Impairment of factoring receivables	
We identified the impairment of factoring receivables as a key audit matter due to its significance to the consolidated financial position, and the use of judgement by the management in evaluating the expected credit losses ("ECL") on factoring receivables. As set out in note 22 to the consolidated financial statements, the carrying amount of factoring receivables is RMB537,053,000 as at 31st December, 2019. This carrying amount represented approximately 71% of the total assets. As set out in note 4 to the consolidated financial statements, factoring receivables are assessed for impairment by the management individually. In determining the impairment of factoring receivables, the Group uses a 12-month ECL for factoring receivables. The management assesses credit losses based on internal credit rating, and on a forward-looking basis with the use of appropriate models and assumptions as set out in notes 4 and 36 to the consolidated financial statements.	Our procedures in relation to the impairment of factoring receivables included: • Obtaining an understanding from the management of the procedures in place for credit risk approval and monitoring of factoring receivables and management's assessment of the ultimate realisation of factoring receivables; • Obtaining an understanding of management's methodology for determining the impairment allowance on factoring receivables and assessing the appropriateness of the methodology used by management; • Evaluating management's assessment of the internal credit rating of the factoring receivables by examining the credit files, which contain the financial condition of the borrowers, past collection history and guarantees, if any, as applicable; • Assessing the reasonableness of key inputs and assumptions applied, including the Group's past experience of collecting payments, historical loss ratio, macroeconomic factors, industry practice, internal credit rating and forward-looking information; and • Testing the mathematical accuracy of the impairment allowance calculation.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20th March, 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2019

	NOTES	2019 RMB'000	2018 RMB'000 (Restated)
Continuing operations			
Revenue	5		
Contracts with customers		**14,726**	12,621
Interests		**35,963**	32,448
		50,689	45,069
Cost relating to services rendered		**(10,989)**	(9,486)
Other income		**3,796**	410
Other gains and (losses), net	6	**382**	(39,555)
Administrative expenses		**(15,699)**	(24,418)
Finance costs	8	**(8,216)**	(14,578)
Profit (loss) before tax		**19,963**	(42,558)
Income tax expense	9	**(12,142)**	(4,227)
Profit (loss) and total comprehensive income (expense) for the year from continuing operations	11	**7,821**	(46,785)
Discontinued operation			
Profit (loss) and total comprehensive income (expense) for the year from discontinued operation	10	**22,356**	(650)
Profit (loss) and total comprehensive income (expense) for the year		**30,177**	(47,435)
Profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company			
– from continuing operations		**7,821**	(46,785)
– from discontinued operation		**22,356**	270
Profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company		**30,177**	(46,515)

	NOTE	2019 RMB'000	2018 RMB'000 (Restated)
Loss and total comprehensive expense for the year attributable to non-controlling interests			
– from continuing operations		–	–
– from discontinued operation		–	(920)
Loss and total comprehensive expense for the year attributable to non-controlling interests		–	(920)
Profit (loss) and total comprehensive income (expense) for the year attributable to			
Owners of the Company		30,177	(46,515)
Non-controlling interests		–	(920)
		30,177	(47,435)
Earnings (loss) per share	12		
From continuing and discontinued operations			
– Basic		RMB2.58 cents	RMB(3.98) cents
– Diluted		RMB2.58 cents	RMB(3.98) cents
From continuing operations			
– Basic		RMB0.67 cents	RMB(4.00) cents
– Diluted		RMB0.67 cents	RMB(4.00) cents

Consolidated Statement of Financial Position

At 31st December, 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current Assets			
Property, plant and equipment	14	**532**	44,472
Right-of-use assets	15	**459**	–
Prepaid lease payments	16	**–**	5,566
Mining rights	17	**–**	208,209
Goodwill	19	**–**	–
Long-term deposits	20	**–**	8,115
Deferred tax assets	32	**739**	647
		1,730	267,009
Current Assets			
Prepaid lease payments	16	**–**	221
Inventories	21	**–**	18,042
Other receivables	22	**538,978**	709,565
Amounts due from related companies	23	**7,113**	6,100
Tax recoverable		**–**	335
Cash and cash equivalents	24	**206,399**	162,563
		752,490	896,826
Current Liabilities			
Trade and other payables	25	**17,153**	71,747
Contract liabilities	25	**4,981**	13,927
Amounts due to related companies	23	**6,362**	188,269
Amounts due to directors	26	**616**	329
Corporate bonds	28	**–**	147,304
Lease liabilities	30	**408**	–
Taxation payable		**4,345**	6,330
		33,865	427,906
Net Current Assets		**718,625**	468,920
Total Assets Less Current Liabilities		**720,355**	735,929

At 31st December, 2019

	NOTES	2019 RMB'000	2018 RMB'000
Capital and Reserves			
Share capital	27	**105,965**	105,965
Reserves		**263,281**	230,872
Equity attributable to owners of the Company		**369,246**	336,837
Non-current Liabilities			
Bank borrowing	29	**347,211**	348,624
Lease liabilities	30	**61**	–
Provisions	31	**–**	1,911
Deferred tax liabilities	32	**3,837**	48,557
		351,109	399,092
		720,355	735,929

The consolidated financial statements on pages 62 to 149 were approved and authorised for issue by the board of directors on 20th March, 2020 and are signed on its behalf by:

Hu Huaimin
DIRECTOR

Cai Baoxiang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2019

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Non-distributable reserves RMB'000 *(Note i)*	Special reserve RMB'000 *(Note ii)*	Capital contribution RMB'000 *(Note iii)*	Share options reserve RMB'000	Other reserve RMB'000 *(Note iv)*	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1st January, 2018	105,965	967,576	30,012	157,178	21,717	11,745	(40,938)	(869,903)	383,352	28,870	412,222
Loss and total comprehensive expenses for the year	–	–	–	–	–	–	–	(46,515)	(46,515)	(920)	(47,435)
Expiry/forfeit of share options	–	–	–	–	–	(10,976)	–	10,976	–	–	–
Transfer	–	–	1,204	–	–	–	–	(1,204)	–	–	–
Transfer upon disposals of subsidiaries	–	–	(9,000)	–	–	–	675	8,325	–	(27,950)	(27,950)
At 31st December, 2018	105,965	967,576	22,216	157,178	21,717	769	(40,263)	(898,321)	336,837	–	336,837
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	30,177	30,177	–	30,177
Expiry of share options	–	–	–	–	–	(769)	–	769	–	–	–
Transfer	–	–	2,277	–	–	–	–	(2,277)	–	–	–
Transfer/capital contribution upon disposals of subsidiaries	–	–	(20,699)	–	2,232	–	40,263	(19,564)	2,232	–	2,232
At 31st December, 2019	105,965	967,576	3,794	157,178	23,949	–	–	(889,216)	369,246	–	369,246

Notes:

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

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

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

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

Notes: – Continued

(iii) – Continued

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

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

(d) a deemed capital contribution from a shareholder of the Company due to YDM Disposal (as defined and detailed in note 33(a)).

(iv) The other reserve represents the difference between the fair value and the book value of the mining rights attributable to additional interests acquired in 2007 and the respective differences between amount of non-controlling interests acquired and the fair value of consideration paid during the years ended 31st December, 2011 and 2014. The amounts have been transferred to accumulated losses upon the disposals of relevant subsidiaries during the years ended 31st December, 2018 and 2019.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax		
– continuing operations	**19,963**	(42,558)
– discontinued operation	**21,005**	(1,657)
Adjustments for:		
Amortisation of mining rights	**1,382**	3,328
Finance costs	**9,131**	15,588
Depreciation of property, plant and equipment	**4,036**	5,601
Depreciation of right-of-use assets	**1,679**	–
Release of prepaid lease payments	**–**	221
Gain on disposal of property, plant and equipment	**–**	(46)
Gain on the disposals of subsidiaries	**(34,734)**	(3,701)
Impairment losses under expected credit loss model, net of reversal	**64**	(258)
Interest income from bank deposits	**(1,968)**	(721)
Income from structured deposits	**(245)**	–
Gain on derecognition of right-of-use assets and lease liabilities	**(6)**	–
Net foreign exchange (gain) loss	**(353)**	40,267
Operating cash flows before movements in working capital	**19,954**	16,064
Decrease in long-term deposits	**8,115**	–
Increase in inventories	**(6,610)**	(4,709)
Decrease (increase) in factoring receivables	**92,991**	(573,389)
Decrease (increase) in trade and other receivables	**5,950**	(5,396)
(Decrease) increase in trade and other payables	**(3,996)**	2,937
(Decrease) increase in contract liabilities	**(5,622)**	1,416
Increase in amount due from a related company	**(1,693)**	–
Increase in amount due to related companies	**3,335**	–
Increase in amounts due to directors	**287**	9
CASH FROM (USED IN) OPERATIONS	**112,711**	(563,068)
Income tax paid	**(11,142)**	(3,615)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**101,569**	(566,683)

	NOTES	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(11,460)**	(12,233)
Payments for rental deposits		**(46)**	–
Addition of restricted bank deposits		**(8,191)**	–
Disposals of subsidiaries	33	**(4,060)**	(1,960)
Receipt of deferred consideration		**–**	50,660
Repayment from related companies		**26,267**	17
Advance to related companies		**(68,856)**	(6,100)
Interest received from bank deposits		**1,968**	721
Addition of structured deposits		**(573,100)**	–
Proceeds on redemption on structured deposits		**573,345**	–
Proceeds from disposal of property, plant and equipment		**–**	165
Deposits refunded for investments	22(i)	**–**	1,813
Repayment of loan receivable	22(ii)	**–**	5,767
Consideration received for assignment of loan receivable	22(ii)	**–**	32,942
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(64,133)**	71,792
FINANCING ACTIVITIES			
New bank borrowing raised		**–**	333,022
Repayment of corporate bonds		**(144,594)**	–
Payment of lease liabilities		**(1,410)**	–
Repayment to related companies		**(20,802)**	(630,088)
Advance from related companies		**182,499**	461,321
Interest paid		**(8,376)**	(13,041)
NET CASH FROM FINANCING ACTIVITIES		**7,317**	151,214
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**44,753**	(343,677)
Effect of foreign exchange rate changes		**(917)**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**162,563**	506,240
CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash		**206,399**	162,563

1. GENERAL

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

The Company is an investment holding company. The principal activity of its subsidiaries is Factoring Related Business (as defined in Note 5) in term of continuing operations.

During the year ended 31st December, 2019, the Group's Mining Operations (as defined in Note 5) was discontinued upon disposal of Yuelong Limited and its subsidiary as detailed in Note 10.

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

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

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

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

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

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

2.1 HKFRS 16 "Leases" ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019.

As at 1st January, 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

2.1 HKFRS 16 "Leases" ("HKFRS 16") – Continued

As a lessee – Continued

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review; and

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 6.10%.

	At 1st January, 2019 RMB'000
Operating lease commitments disclosed as at 31st December, 2018	6,095
Lease liabilities discounted at relevant incremental borrowing rates	5,880
Less: Recognition exemption – short-term leases	(3,631)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1st January, 2019	2,249
Analysed as	
Current	1,990
Non-current	259
	2,249

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

2.1 HKFRS 16 "Leases" ("HKFRS 16") – Continued

As a lessee – Continued

The carrying amount of right-of-use assets for own use as at 1st January, 2019 comprises the following:

	Note	**Right-of-use assets** RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		2,249
Reclassified from prepaid lease payments	(a)	5,787
		8,036

Note:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31st December, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB221,000 and RMB5,566,000, respectively were reclassified to right-of-use assets.

Based on the assessment by the directors of the Company, there is no material impact of transition to HKFRS 16 on accumulated losses at 1st January, 2019.

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

2.1 HKFRS 16 "Leases" ("HKFRS 16") – Continued

As a lessee – Continued

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1st January, 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31st December, 2018 RMB'000	Impacts of adopting HKFRS 16 RMB'000	Carrying amounts under HKFRS 16 at 1st January, 2019 RMB'000
Non-current Assets				
Prepaid lease payments	(a)	5,566	(5,566)	–
Right-of-use assets		–	8,036	8,036
Current assets				
Prepaid lease payments	(a)	221	(221)	–
Current liabilities				
Lease liabilities		–	1,990	1,990
Non-current liabilities				
Lease liabilities		–	259	259

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31st December, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1st January, 2019 as disclosed above.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

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

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

[4] Effective for annual periods beginning on or after 1st January, 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1st January, 2020.

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1st January, 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1st January, 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of consolidation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Changes in the Group's interests in existing subsidiaries

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

Goodwill

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

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

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

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue from contracts with customers – Continued

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases – Continued

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) – Continued

Short-term leases

The Group applies the short-term lease recognition exemption to leases of certain properties and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases – Continued

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) – Continued

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases – Continued

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) – Continued

Lease liabilities – Continued

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases – Continued

The Group as a lessee (prior to 1st January, 2019)

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

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

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purpose, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment – Continued

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Mining rights

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Classification and subsequent measurement of financial assets – Continued

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

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

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

Amortised cost and interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including long-term deposits, factoring receivables, other receivables, amounts due from related companies, cash and cash equivalents), and other items (lease receivables included in amounts due from related companies and loan commitments) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – Continued

(i) Significant increase in credit risk – Continued

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

(ii) Definition of default

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – Continued

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – Continued

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

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

For undrawn loan commitments, the loss allowances are the present value of the difference between:

(a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and

(b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments/receivables that are measured at FVTOCI and undrawn loan commitments, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Derecognition of financial assets

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Provisions

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

Impairment losses on property, plant and equipment, right-of-use assets, mining rights and prepaid lease payments

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, mining rights and prepaid lease payments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, mining rights and prepaid lease payments are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the Group's CGUs to which the asset belongs.

In addition, corporates assets are allocated to individual cash-generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment losses on property, plant and equipment, right-of-use assets, mining rights and prepaid lease payments – Continued

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

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

Retirement benefit costs

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

Short-term employee benefits

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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

Share options granted to suppliers/consultants

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Borrowing costs

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

Effective 1st January, 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Taxation – Continued

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

Foreign currencies

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of factoring receivables

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

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's financial assets are disclosed in notes 22 and 36 respectively.

As at 31st December, 2019, the carrying amounts of factoring receivables was RMB537,053,000 (2018: RMB630,413,000), net of allowance for impairment of RMB2,956,000 (2018: RMB2,587,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

Continuing operations

	2019 RMB'000	2018 RMB'000 (Restated)
Types of goods or service		
Management fee from accounts receivable management and collection services	14,726	10,522
Factoring consultancy services	–	2,099
Total	14,726	12,621
Timing of revenue recognition		
Overtime	14,726	12,621

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

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

Continuing operations

	2019 RMB'000	2018 RMB'000 (Restated)
Revenue disclosed in segment information	50,689	45,069
Less: Interest income	(35,963)	(32,448)
Revenue from contracts with customers	14,726	12,621

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Revenue – Continued

(ii) Performance obligations for contracts with customers

The Group recognises revenue from the following major sources:

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

Such services are transferred over time and revenue is recognised as the customers simultaneously receive and consume the benefits from the Group's performance of the relevant services. The customers are required to pay in advance of the consideration which is due upon the signing of the relevant agreement. When payment for services is received from the customers in advance, a contract liability as included in "contract liabilities" is recognised and released on a straight line basis over the service period.

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

All contracts in respect of management fee from accounts receivable management and collection services, and factoring consultancy services at 31 December, 2019 and 2018 are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

The Group's reportable and operating segment under HKFRS 8, based on information reported to the chief operating decision maker ("CODM"), represented by the executive directors of the Company, for the purposes of resource allocation and performance assessment is provision of factoring services, accounts receivable management and collection and factoring consultancy services ("Factoring Related Business")

An operating segment regarding the exploration, mining and processing of mainly zinc, lead, copper, iron and gold ("Mining Operations") was discontinued during the year ended 31st December, 2019, along with the Group's disposal of Yuelong Limited and its subsidiary. The segment information reported does not include any amounts for the discontinued operation, which are described in more details in note 10.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information – Continued

Segment result

The CODM reviewed the segment results, which represent the profit earned by the segment without allocation of other income and other gains and losses as described below, central administration costs and finance costs, for the purposes of resource allocation and performance assessment.

Continuing operations

	2019 RMB'000	2018 RMB'000 (Restated)
SEGMENT REVENUE		
External sales	**50,689**	45,069
SEGMENT RESULTS		
Segment profit	**39,331**	32,996
Other income	**3,796**	410
Other gains and losses		
– Gain arising from subsidiaries disposed	**87**	–
– Gain on derecognition of right-of-use assets and lease liabilities	**6**	–
– Impairment losses under expected credit loss model, net of reversal *(Note 36)*	**305**	2,845
– Net foreign exchange gain (loss)	**353**	(39,813)
Central administration costs	**(15,699)**	(24,418)
Finance costs	**(8,216)**	(14,578)
Profit (loss) before tax	**19,963**	(42,558)

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

Segment assets and liabilities

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

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information – Continued

Other segment information

Amounts included in the measurement of segment profit:

Continuing operations

For the year ended 31st December, 2019

	Factoring Related Business RMB'000	**Unallocated** RMB'000	**Total** RMB'000
Depreciation	**1,515**	**185**	**1,700**
Impairment losses under expected credit loss model, net of reversal	**369**	**(305)**	**64**

For the year ended 31st December, 2018

	Factoring Related Business RMB'000	Unallocated RMB'000	Total RMB'000 (Restated)
Depreciation	132	15	147
Impairment losses under expected credit loss model, net of reversal	2,587	(2,845)	(258)

Geographical information

All of external revenues of the Group in both years are attributable to customers established in the PRC, the place of domicile of the Group's major operating entities. As at 31st December, 2019, the Group's non-current assets excluding other financial assets and deferred tax assets of RMB564,000 (2018: RMB258,130,000) and RMB427,000 (2018: RMB117,000) are located in the PRC and Hong Kong, respectively.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information – Continued

Information about major customers

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

Continuing operations

	2019 RMB'000	2018 RMB'000
Customer A *(Note a)*	**18,095**	9,384
Customer B *(Note a)*	**13,429**	9,087
Customer C *(Note a)*	**6,414**	7,301
Customer D *(Note a)*	**6,241**	N/A *(Note b)*
Customer E *(Note a)*	**N/A *(Note b)***	10,216

Notes:

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

(b) The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER GAINS AND (LOSSES), NET

	2019 RMB'000	2018 RMB'000 (Restated)
Continuing operations		
Gain on the disposals of subsidiaries *(Note 33(a))*	**87**	–
Gain on derecognition of right-of-use assets and lease liabilities	**6**	–
Impairment losses under expected credit loss model, net of reversal *(Note 36)*	**(64)**	258
Net foreign exchange gain (loss)	**353**	(39,813)
	382	(39,555)

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

The emoluments paid or payable to each of the thirteen (2018: ten) directors and the chief executive were as follows:

2019

	Executive directors						Non-executive directors				Independent non-executive directors			
	Mr. Liu Debing RMB'000 *(Note 5)*	**Mr. Hu Huaimin** RMB'000	**Mr. Cai Baoxiang** RMB'000 *(Note 1)*	**Mr. Bai Zhaoxiang** RMB'000 *(Note 2)*	**Mr. Wen Songmao** RMB'000 *(Note 3)*	**Mr. Mao Naihe** RMB'000 *(Note 4)*	**Mr. Wang Lian Chun** RMB'000 *(Note 4)*	**Mr. Tang Rujun** RMB'000 *(Note 5)*	**Mr. Li Biao** RMB'000 *(Note 5)*	**Mr. Qi Guangya** RMB'000 *(Note 4)*	**Mr. Cui Shu Ming** RMB'000	**Dr. Liu Yong Ping** RMB'000	**Mr. Cheung Ting Kee** RMB'000	**Total** RMB'000
Fees	-	-	-	-	-	-	-	-	-	-	217	217	217	651
Other emoluments														
Salaries	-	327	368	222	-	75	-	-	-	-	-	-	-	992
Other benefits	-	138	3	102	-	31	-	-	-	-	-	-	-	274
Accommodation provided by the Group	-	181	-	60	-	47	-	-	-	-	-	-	-	288
Contributions to retirement benefits schemes	-	67	71	42	-	19	-	-	-	-	-	-	-	199
Total emoluments	-	713	442	426	-	172	-	-	-	-	217	217	217	2,404

2018

	Executive directors					Non-executive directors		Independent non-executive directors			
	Mr. Hu Huaimin RMB'000	Mr. Cai Baoxiang RMB'000 *(Note 1)*	Mr. Bai Zhaoxiang RMB'000 *(Note 2)*	Mr. Wen Songmao RMB'000 *(Note 3)*	Mr. Mao Naihe RMB'000 *(Note 4)*	Mr. Wang Lian Chun RMB'000 *(Note 4)*	Mr. Qi Guangya RMB'000 *(Note 4)*	Mr. Cui Shu Ming RMB'000	Dr. Liu Yong Ping RMB'000	Mr. Cheung Ting Kee RMB'000	Total RMB'000
Fees	–	–	–	–	–	–	–	210	210	210	630
Other emoluments											
Salaries	520	185	349	–	520	–	–	–	–	–	1,574
Other benefits	111	11	66	–	104	–	–	–	–	–	292
Accommodation provided by the Group	73	–	56	–	187	–	–	–	–	–	316
Contributions to retirement benefits schemes	74	26	39	–	70	–	–	–	–	–	209
Total emoluments	778	222	510	–	881	–	–	210	210	210	3,021

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

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

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

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

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

Notes:

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

(2) The director resigned on 10th October, 2018, and was re-appointed as an executive director on 21st March, 2019. The director was appointed as the Chief Financial Officer and Vice Chief Executive of the Company since 10th October 2018.

(3) The director was appointed on 10th October, 2018, and resigned on 21st March, 2019.

(4) The directors resigned on 21st March, 2019.

(5) The directors were appointed on 21st March, 2019.

Of the five individuals with the highest emoluments in the Group, three (2018: three) were directors and chief executive of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining two (2018: two) individuals are follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and other benefits	**1,650**	1,570
Contributions to retirement benefits schemes	**114**	112
	1,764	1,682

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

Their emoluments were within the following bands:

	2019 Number of employees	2018 Number of employees
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	1	1

During both years, no emoluments were paid by the Group to the five highest paid individuals (including directors, chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the chief executive nor any of the directors of the Company waived any emoluments in the year ended 31st December, 2019 (2018: Nil).

8. FINANCE COSTS

	2019 RMB'000	2018 RMB'000 (Restated)
Continuing operations		
Interest on bank borrowing	4,870	3,502
Interest on corporate bonds	3,269	11,076
Interest on lease liabilities	77	–
	8,216	14,578

9. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000 (Restated)
Continuing operations		
Current tax		
– PRC Enterprise Income tax	9,389	4,086
– (Over) underprovision in prior years	(232)	212
	9,157	4,298
Deferred tax	2,985	(71)
	12,142	4,227

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the applicable income tax rate for the PRC subsidiaries of the Group is 25% for both years.

The income tax charge for the year can be reconciled to the profit (loss) before tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Profit (loss) before tax	19,963	(42,558)
Tax at the domestic income tax rate of 25% *(Note)*	4,991	(10,640)
Tax effect of expenses not deductible for tax purpose	4,755	14,797
Tax effect of income not taxable for tax purpose	(449)	(716)
(Over) underprovision in respect of prior year	(232)	212
Provision of withholding tax for income derived from the PRC subsidiary	3,077	574
Income tax expense	12,142	4,227

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

10. DISCONTINUED OPERATION

On 23rd July, 2019, the Company, entered into a sale and purchase agreement with Yue Da Group (H.K.) Co., Limited ("YDHK"), a shareholder of the Company, pursuant to which the Company has agreed to sell and YDHK has conditionally agreed to acquire the 100% equity interest in Yuelong Limited ("Yuelong") ("Yuelong Disposal"). The total consideration for the disposal is RMB230,800,000 which should be settled by way of net-off against the outstanding indebtedness owing by the Group to YDHK and its subsidiaries. The principal asset of Yuelong is its investment in a wholly owned subsidiary, Baoshan Feilong Nonferrous Metal Co., Ltd. ("Baoshan Feilong") which is engaging in business of mining and processing of zinc, copper and lead. The disposal was completed in October, 2019, and the Group ceased to carry out Mining Operations.

The loss for the year from the discontinued operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present Mining Operations as a discontinued operation.

	2019 RMB'000	2018 RMB'000
Loss of Mining Operations for the period/year	**(12,291)**	(4,351)
Gain on disposal of subsidiaries	**34,647**	3,701
	22,356	(650)

The results of Mining Operations for the period from 1st January, 2019 to date of disposal, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the period from 1st January, 2019 to date of disposal RMB'000	Year ended 31st December, 2018 RMB'000
Revenue – Contracts with customers	**13,665**	42,360
Cost relating to inventories sold	**(13,080)**	(27,113)
	585	15,247
Other income	**526**	1,127
Other gains and (losses), net	**–**	46
Administrative expenses	**(13,838)**	(20,768)
Finance costs	**(915)**	(1,010)
Loss before tax	**(13,642)**	(5,358)
Income tax credit	**1,351**	1,007
Loss for the period/year	**(12,291)**	(4,351)

10. DISCONTINUED OPERATION – CONTINUED

Loss for the period/year from discontinued operation has been arrived at after charging (crediting) the following items:

	For the period from 1st January, 2019 to date of disposal RMB'000	Year ended 31st December, 2018 RMB'000
Amortisation of mining rights (including in cost relating to inventories sold)	**1,382**	3,328
Depreciation of property, plant and equipment	**3,765**	5,454
Depreciation of right-of-use assets	**250**	–
Release of prepaid lease payments	**–**	221
Employee benefit expenses (excluding directors' emoluments)	**11,978**	20,772
Interest income from bank deposits	**(115)**	(311)
Income tax credit		
Current tax – PRC Enterprise income tax	**(35)**	–
Deferred tax	**(1,316)**	(1,007)

Cash flows used in Mining Operations:

	For the period from 1st January, 2019 to date of disposal RMB'000	Year ended 31st December, 2018 RMB'000
Net cash flows used in operating activities	**(6,140)**	(8,491)
Net cash flows (used in) from investing activities	**(20,443)**	25,788
Net cash flows from (used in) financing activities	**10,985**	(70,379)
Net cash flows	**(15,598)**	(53,082)

The carrying amounts of the assets and liabilities of Yuelong at the date of disposal are disclosed in note 33(b).

11. PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR FROM CONTINUING OPERATIONS

Profit (loss) and total comprehensive income (expense) for the year from continuing operations has been arrived at after charging (crediting) the following items:

	2019 RMB'000	2018 RMB'000 (Restated)
Depreciation of property, plant and equipment	271	147
Depreciation of right-of-use assets	1,429	–
Auditors' remuneration	1,803	2,789
Employee benefit expenses (including directors' emoluments and depreciation of right-of-use assets in relation to lease for staff quarter)	12,840	14,756
Interest income from bank deposits (included in other income)	(1,853)	(410)
Income from structured deposits (included in other income)	(245)	–
Rental income – fixed operating lease payments (included in other income)	(1,693)	–

12. EARNINGS (LOSS) PER SHARE

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

From continuing and discontinued operations

	2019 RMB'000	2018 RMB'000 (Restated)
Profit (loss) for the year attributable to owners of the Company	30,177	(46,515)
Less: profit for the year from discontinued operation attributable to owners of the Company	22,356	270
Profit (loss) for the year from continuing operations attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	7,821	(46,785)

12. EARNINGS (LOSS) PER SHARE – CONTINUED

From continuing and discontinued operations – Continued

Number of shares	Number	Number
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**1,168,626,516**	1,168,626,516

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is RMB1.91 cents per share (2018: RMB0.02 cents per share), based on the profit for the year from the discontinued operation attributable to owners of the Company of RMB22,356,000 (2018: RMB270,000) and the denominators detailed above for both basic and diluted earnings per share.

The computation of the diluted earnings (loss) per share for the year ended 31st December, 2019 and 2018 does not assume the exercise of the share options because the exercise price of those options was higher than the average market price for shares.

13. DIVIDEND

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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Mining shafts RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1st January, 2018	36,441	15,202	27,396	60,700	6,973	3,102	17,770	167,584
Additions	459	645	–	506	250	60	10,373	12,293
Transfer	–	–	16,884	–	–	–	(16,884)	–
Disposals	–	–	–	–	–	(754)	–	(754)
Eliminated on disposals of subsidiaries *(note 33(c))*	(19,569)	–	–	(37,516)	(2,526)	(4)	(2,516)	(62,131)
At 31st December, 2018	17,331	15,847	44,280	23,690	4,697	2,404	8,743	116,992
Additions	166	–	–	1,168	73	–	10,053	11,460
Transfer	–	–	394	121	797	–	(1,312)	–
Eliminated on disposals of subsidiaries *(note 33(b))*	(17,497)	(15,204)	(44,674)	(24,979)	(5,074)	(1,814)	(17,484)	(126,726)
At 31st December, 2019	–	643	–	–	493	590	–	1,726
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2018	19,882	13,247	18,205	48,737	6,515	2,387	2,595	111,568
Charge for the year	1,432	188	2,057	1,812	100	12	–	5,601
Eliminated on disposals	–	–	–	–	–	(635)	–	(635)
Eliminated on disposals of subsidiaries *(note 33(c))*	(12,044)	–	–	(27,203)	(2,247)	(4)	(2,516)	(44,014)
At 31st December, 2018	9,270	13,435	20,262	23,346	4,368	1,760	79	72,520
Charge for the year	1,043	278	1,449	1,062	190	14	–	4,036
Eliminated on disposals of subsidiaries *(note 33(b))*	(10,313)	(13,392)	(21,711)	(24,408)	(4,199)	(1,260)	(79)	(75,362)
At 31st December, 2019	–	321	–	–	359	514	–	1,194
CARRYING VALUES								
At 31st December, 2019	–	322	–	–	134	76	–	532
At 31st December, 2018	8,061	2,412	24,018	344	329	644	8,664	44,472

14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

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

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

As at 31st December, 2018, certain buildings of the Group were erected in the PRC with respect to which the Group had not been granted formal title of ownership. The carrying value of such buildings amounted to RMB4,041,000. In the opinion of the directors of the Company, the absence of formal title does not impair the value of the relevant buildings.

15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	**Lease properties** RMB'000	**Total** RMB'000
COST			
At 1st January, 2019	5,787	2,249	8,036
Additions	–	449	449
Derecognition upon early termination of leases	–	(1,068)	(1,068)
Eliminated on disposals of subsidiaries *(note 33(b))*	(5,787)	–	(5,787)
Exchange adjustment	–	16	16
At 31st December, 2019	–	1,646	1,646
DEPRECIATION AND IMPAIRMENT			
At 1st January, 2019	–	–	–
Charge for the year	250	1,429	1,679
Eliminated on derecognition upon early termination of leases	–	(247)	(247)
Eliminated on disposals of subsidiaries *(note 33(b))*	(250)	–	(250)
Exchange adjustment	–	5	5
At 31st December, 2019	–	1,187	1,187
CARRYING VALUES			
At 1st January, 2019	5,787	2,249	8,036
At 31st December, 2019	–	459	459

15. RIGHT-OF-USE ASSETS – CONTINUED

Notes:

(i) Expense relating to short-term leases with lease terms end within 12 months of the date of initial application of HKFRS 16 is RMB3,769,000 during the year ended 31st December, 2019.

(ii) Total cash outflow for leases in RMB1,921,000 during the year ended 31st December, 2019.

For both years, the Group leases various offices, staff quarters and office equipment for its operations. Lease contracts are entered into for fixed term of ten months to two years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has not obtained the land use right certificates for leasehold lands with carrying amount of RMB5,787,000 in which the Group was in the process of obtaining as at 1st January, 2019. During the year ended 31st December, 2019, all such leasehold lands have been disposed of upon the completion of Yuelong Disposal.

Lease committed

As at 31st December, 2019, the Group entered into a new lease for office that is not yet commenced, with the period of one year with extension options, the total future undiscounted cash flows under which amounted to RMB444,000 over the leasing period.

Details of the lease maturity analysis of lease liabilities are set out in note 30.

16. PREPAID LEASE PAYMENTS

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

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

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

17. MINING RIGHTS

	RMB'000
At 1st January, 2018	977,594
Eliminated on disposals of subsidiaries	(403,150)
At 31st December, 2018	574,444
Eliminated on disposals of subsidiaries	(574,444)
At 31st December, 2019	–
AMORTISATION AND IMPAIRMENT	
At 1st January, 2018	612,492
Charge for the year	3,328
Eliminated on disposals of subsidiaries	(249,585)
At 31st December, 2018	366,235
Charge for the year	1,382
Eliminated on disposals of subsidiaries	(367,617)
At 31st December, 2019	–
CARRYING VALUES	
At 31st December, 2019	–
At 31st December, 2018	208,209

The mining rights represent the rights to conduct mining activities in various locations in the PRC, and had legal lives of one year as at 31st December, 2018.

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

18. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT, MINING RIGHTS

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

19. GOODWILL

	RMB'000
COST	
At 1st January, 2018	12,170
Eliminated on disposals of subsidiaries	(12,170)
At 31st December, 2018 and 2019	–
IMPAIRMENT	
At 1st January, 2018	12,170
Eliminated on disposals of subsidiaries	(12,170)
At 31st December, 2018 and 2019	–
CARRYING VALUES	
At 31st December, 2018	–
At 31st December, 2019	–

20. LONG-TERM DEPOSITS

Long-term deposits represented environmental rehabilitation deposits paid to the local government in the PRC, carrying interest at prevailing market rate of 0.35% per annum. The amounts would be refunded at the cessation of mining activities or closure of mines if and only if the environmental rehabilitation work of the relevant mines met the government's requirements. They were not expected to be refunded within the next twelve months as at 31st December, 2018.

During the year ended 31st December, 2019, pursuant to the change of the relevant requirements, the environmental rehabilitation deposits paid of RMB8,115,000 were refunded by the local government and the aggregated amount of the refunded deposits together with the interest received from the deposits of RMB8,191,000 was placed into restricted bank account for the environmental rehabilitation purpose accordingly. Such restricted deposits were disposed of through the Yuelong Disposal during the year ended 31st December, 2019 (note 33(b)).

21. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials and consumables	–	4,900
Finished goods	–	13,142
	–	18,042

22. OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Factoring receivables	537,053	630,413
Advance payments to suppliers	–	2,520
Deposits paid for investments *(Note i)*	–	38,202
Loan receivable *(Note ii)*	–	32,637
Other receivables and prepayments	1,925	5,793
	538,978	709,565

Notes:

(i) As at 1st January, 2018, aggregate deposits of US$6,245,000 (approximately RMB40,804,000) had been paid to an independent third party ("Vendor") pursuant to the Acquisition Agreement (as defined below) (the "Deposits"). As at 1st January, 2018, the aggregate carrying amount of the Deposits was RMB38,994,000 with net accumulated impairment loss of RMB1,810,000.

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

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

The details and progress of the Acquisition Agreement up to 31st December, 2017 were set out in the Company's 2017 annual report.

22. OTHER RECEIVABLES – CONTINUED

Notes: – Continued

(i) – Continued

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

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

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

Since the Vendor was not reachable, the Group was seeking the enforcement of the judgement by execution of the share mortgage in respect of the entire issued share capital in the Target Companies and the Vietnam Company (the "Share Mortgage"). However, in the opinion of the directors of the Company, without the presence of the Vendor, the execution of the Share Mortgage may take extra time and effort, and the value of the Vietnam Company cannot be ascertained. In order to shorten the payback period of the Deposits, the Group was seeking the opportunity to dispose of the Deposits with consideration after arm's length negotiation.

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

On 20th March, 2019, the Company and YDHK entered into the conditional sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell, and YDHK has conditionally agreed to purchase the entire equity interest of YDM, at an aggregate consideration of US$5,600,000 (equivalent to approximately RMB37,706,000). The principal asset of YDM is the Deposits. The transaction was completed during the year ended 31st December, 2019. Further details of this transaction are set out in the Company's announcements dated 20th March, 2019 and Note 33(a).

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

As at 1st January, 2018, the principal amount of the outstanding loan owed by Mineral Land was US$5,700,000 (approximately RMB37,245,000). As at 1st January, 2018, the aggregate carrying amount of the outstanding loan owed by Mineral Land was RMB33,182,000 with net accumulated impairment loss of RMB4,063,000.

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

22. OTHER RECEIVABLES – CONTINUED

Notes: – Continued

(ii) – Continued

On 11th December, 2018, YDM, Mineral Land, Guarantor and an assignee ("Assignee") entered into a loan assignment ("Loan Assignment"), pursuant to which YDM has conditionally agreed to sell and Assignee has conditionally agreed to purchase the outstanding loan owned by Mineral Land (at principal amount of US$4.8 million) at a consideration of US$4.8 million. Pursuant to the Loan Assignment, the Group received the entire consideration of US$4.8 million (approximately RMB32,942,000) up to 31st December, 2018,

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

During the year ended 31st December, 2019, the Loan Assignment was completed.

At as 31st December, 2019, the factoring receivables balance included debts due from related companies of RMB54,597,000 (2018: Nil) which were guaranteed by a related company of the Company and detailed as below.

	2019 RMB'000	2018 RMB'000
Jiangsu Yue Da Commercial Properties Company Limited ("Jiangsu Yue Da Commercial Properties") *(Note)*	**16,599**	–
Yancheng Yue Da Tianhui Real Estate Company Limited ("Yancheng Yue Da Tianhui Real Estate") *(Note)*	**35,145**	–
Yancheng Yue Da Dongfang Real Estate Company Limited ("Yancheng Yue Da Dongfang Real Estate") *(Note)*	**2,853**	–
	54,597	–

Note: Jiangsu Yue Da Commercial Properties, Yancheng Yue Da Tianhui Real Estate and Yancheng Yue Da Dongfang Real Estate are fellow subsidiaries of the Company.

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

At as 31st December, 2019, the factoring receivables of RMB537,053,000 (2018: RMB630,413,000) were not past due.

Impairment allowance of RMB2,956,000 was made for the outstanding balance of the factoring assets at 31st December, 2019 (2018: RMB2,587,000).

The information about the impairment assessment are disclosed in note 36.

23. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	2019	2018
	RMB'000	RMB'000
YDM *(Note 1)*	**2,920**	–
Yue Da Capital Co., Limited ("Yue Da Capital") *(Note 2)*	**2,500**	6,100
Yue Da Capital (H.K.) Limited ("Yue Da Capital HK") *(Note 3)*	**1,693**	–
	7,113	6,100

As at 31st December 2019, the amount due from Yue Da Capital HK included the rental receivables of RMB1,693,000 (2018: nil) for the leasing of office premises by Yue Da Capital HK.

The remaining balances of amounts due from related companies are non-trade related, unsecured, interest-free and repayable on demand for as at 31st December, 2019 and 2018.

	Due to	
	2019	2018
	RMB'000	RMB'000
Yue Da Capital HK *(Note 3)*	**5,078**	–
YDHK *(Note 4)*	**661**	146,767
Baoshan Feilong *(Note 5)*	**481**	–
Yue Da Enterprise *(Note 6)*	**142**	8,034
Jiangsu Yue Da Group Finance Co., Ltd ("Jiangsu Yue Da Group Finance") *(Note 6)*	**–**	18,000
Absolute Apex Limited ("Absolute Apex") *(Note 6)*	**–**	9,457
Tong Ling Guan Hua Mining Co., Ltd. ("Tong Ling Guan Hua") *(Note 6)*	**–**	5,951
Yaoan Jin San Jiang Co., Ltd ("Yaoan Jin San Jiang") *(Note 6)*	**–**	60
	6,362	188,269

As at 31st December 2019, the amounts due to YDHK and Yue Da Enterprise included the short-term lease payables of RMB661,000 and RMB142,000, respectively (2018: nil) for the leasing of office premises and staff quarter by the Group.

The amount due to Jiangsu Yue Da Group Finance of RMB18,000,000 as at 31st December, 2018, was interest-bearing at 6% per annum and was repaid by the Group during the year ended 31st December, 2019.

23. AMOUNTS DUE FROM/TO RELATED COMPANIES – CONTINUED

The remaining balance of amounts due to related companies are non-trade related, unsecured, interest-free and repayable on demand as at 31 December 2019 and 2018.

The Group's amounts due from/to related companies that are denominated in currencies other than the functional currency of the relevant group entity are set out below:

	2019 RMB'000	2018 RMB'000
Amounts due from related companies		
United States Dollars ("US$")	2,889	–
Hong Kong Dollars ("HK$")	1,693	–
Amounts due to related companies		
HK$	1,348	155,884

Notes:

(1) YDM becomes a fellow subsidiary of the Company upon the completion of YDM Disposal (as defined in Note 33(a)) during the year ended 31st December, 2019 as set out in Note 33(a).

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

(3) Yue Da Capital HK is the immediate holding company of the Company.

(4) YDHK is a shareholder of the Company.

(5) Baoshan Feilong becomes a fellow subsidiary of the Company upon the completion of Yuelong Disposal during the year ended 31st December, 2019 as set out in Note 10 and Note 33(b).

(6) Yue Da Enterprise, Jiangsu Yue Da Group Finance, Absolute Apex, Tong Ling Guan Hua and Yaoan Jin San Jiang are fellow subsidiaries of the Company.

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalent include in hand, deposits held at call with banks and with a finance company with an original maturity of three months or less. The bank balances carry interest at market rates which range from 0.01% to 0.35% (2018: 0.01% to 0.35%) per annum.

As at 31st December, 2019, the Group's cash and cash equivalents of RMB187,363,000 are deposited with a fellow subsidiary of the Company, Jiangsu Yue Da Group Finance, a finance company of enterprise group regulated by China Banking Regulatory Commission (2018: RMB68,049,000).

24. CASH AND CASH EQUIVALENTS – CONTINUED

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

	2019 RMB'000	2018 RMB'000
US$	14,607	33,302
HK$	1,599	1,887

25. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

Trade and other payables

	2019 RMB'000	2018 RMB'000
Trade payables	–	9,518
Other advance payments from customers	5,314	4,672
Accrued staff costs	3,349	7,095
Consideration received for assignment of loan receivable (Note 22(ii))	–	32,942
Other payables and accrued charges	8,490	17,520
	17,153	71,747

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

	2019 RMB'000	2018 RMB'000
0 – 60 days	–	1,895
61 – 120 days	–	3,296
over 120 days	–	4,327
	–	9,518

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

25. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES – CONTINUED

Contract liabilities

As at 1st January, 2018, contract liabilities amounted to RMB12,511,000.

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

	2019 **RMB'000**	2018 RMB'000
Revenue recognised that was included in the advance payments from contracts with customers balance at the beginning of the year	**13,416**	12,375

26. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand. As at 31st December, 2019, the amounts include RMB336,000 (2018: RMB329,000) which is denominated in HK$, a currency other than the functional currency of the relevant group entity.

27. SHARE CAPITAL

	Number of shares	**Amount** HK$'000	**Shown in the consolidated financial statements** RMB'000
Ordinary shares of HK$0.10 each:			
Authorised			
At 1st January, 2018, 31st December, 2018 and 31st December, 2019	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2018, 31st December, 2018 and 31st December, 2019	1,168,626,516	116,863	105,965

28. CORPORATE BONDS

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

During the year ended 31st December, 2019, the corporate bonds of the Group were matured and the principal amount of HK$169,000,000 (approximately RMB144,594,000) were fully repaid by the Group.

29. BANK BORROWING

	2019 RMB'000	2018 RMB'000
Unsecured bank loan – payable*:		
Within a period of more than one year but not exceeding two years	**347,211**	–
Within a period of more than two years but not exceeding five years	**–**	348,624
Amounts shown under non-current liabilities	**347,211**	348,624

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

The range of effective interest rate (which is also equal to contracted interest rate) on the Group's borrowing is 1.2% per annum, adjusted by Euro Interbank Offered Rate ("EURIBOR") when it is positive (2018: 1.2% per annum, adjusted by EURIBOR when it is positive).

As at 31st December, 2019, the bank loan of RMB347,211,000 (2018: RMB348,624,000) is guaranteed by Yue Da Capital, a related company of the Group.

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

	2019 RMB'000	2018 RMB'000
Euro ("EUR")	**347,211**	348,624

30. LEASE LIABILITIES

	2019 RMB'000
Lease liabilities payable:	
Within one year	**408**
Within a period of more than one year but not more than two years	**61**
	469
Less: Amount due for settlement with 12 months shown under current liabilities	**(408)**
Amount due for settlement after 12 months shown under non-current liabilities	**61**

Lease obligations that are denominated in a currency other than the functional currency of the relevant group entity are set out below:

	HK$ RMB'000
As at 31st December, 2019	294

31. PROVISIONS

	RMB'000
Restoration, rehabilitation and environmental costs	
At 1st January, 2018	2,324
Eliminated on disposals of subsidiaries	(413)
At 31st December, 2018	1,911
Eliminated on disposals of subsidiaries	(1,911)
At 31st December, 2019	–

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

32. DEFERRED TAX

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

	Impairment losses on factoring receivables RMB'000	Temporary differences on non-current assets RMB'000 *(note)*	Withholding taxes RMB'000	Total RMB'000
At 1st January, 2018	–	78,409	5,157	83,566
(Credit) charge to profit or loss	(647)	(591)	160	(1,078)
Disposals of subsidiaries	–	(34,578)	–	(34,578)
At 31st December, 2018	(647)	43,240	5,317	47,910
(Credit) charge to profit or loss	(92)	(146)	1,907	1,669
Disposals of subsidiaries	–	(43,094)	(3,387)	(46,481)
At 31st December, 2019	(739)	–	3,837	3,098

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

	2019 RMB'000	2018 RMB'000
Deferred tax assets	**(739)**	(647)
Deferred tax liabilities	**3,837**	48,557
	3,098	47,910

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

At 31st December, 2019, the Group had tax losses of Nil (2018: RMB3,145,000) available for offset against future profits. No deferred tax asset had been recognised due to the unpredictability of future profit streams. Such tax losses can be carried forward for five years following the loss year.

In addition, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have been recognised was RMB38,370,000 (2018: RMB96,635,000).

33. DISPOSALS OF SUBSIDIARIES

(a) On 20th March, 2019, the Company, entered into a sale and purchase agreement with YDHK pursuant to which the Company has agreed to sell and YDHK has conditionally agreed to acquire the 100% equity interest in YDM and its subsidiaries ("YDM Disposal"). The total consideration for the disposal is US$5,600,000 (equivalent to approximately RMB37,706,000) which should be settled by way of net-off against the outstanding indebtedness owing by the Group to YDHK. The principal asset of YDM is the Deposits (as detailed in Note 22). The disposal was completed during the year ended 31st December, 2019.

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

	RMB'000
Net assets disposed of:	
Trade and other receivables	37,372
Cash and cash equivalents	247
Amount due to a group entity	(2,232)
	35,387
Deemed capital contribution	2,232
Gain on disposal	87
Total consideration	37,706
Satisfied by:	
Net-off against amount due to a related company	37,706
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(247)

During the period between 1st January, 2019 and the date of disposal, YDM and its subsidiaries contributed no material profit or loss to the Group's results. YDM and its subsidiaries did not have material effect on the Group's cash flow during the year ended 31st December, 2019.

33. DISPOSALS OF SUBSIDIARIES – CONTINUED

(b) As referred to note 10, the Group completed the Yuelong Disposal during the year ended 31st December, 2019.

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

	RMB'000
Net assets disposed of:	
Property, plant and equipment *(note)*	56,823
Right-of-use assets	5,537
Mining rights *(note)*	229,054
Inventories	24,652
Other receivables	168
Tax recoverable	370
Restricted bank deposits	8,191
Cash and cash equivalents	3,813
Amount due from a group entity	481
Amount due from a related company	47
Trade and other payables	(17,670)
Contract liabilities	(3,324)
Provisions	(1,911)
Deferred tax liabilities	(46,481)
Amounts due to related companies	(35,911)
	223,839
Gain on disposal *(note)*	6,961
Total consideration	230,800
Satisfied by:	
Net-off against amount due to a related company	230,800
Net cash outflow arising on disposal:	
Bank balances and cash disposal of	(3,813)

Note: The management has conducted an impairment assessment before the completion of the disposal and determined that the impairment losses previously recognised for property, plant and equipment/mining rights of RMB27,686,000 in total should be reversed by reference to the consideration of the disposal. Accordingly, the total gains arising from disposal of subsidiaries are RMB34,647,000.

The impact of Yuelong and its subsidiary on the Group's results and cash flows during the period between 1st January, 2019 and the date of disposal is disclosed in note 10.

33. DISPOSALS OF SUBSIDIARIES – CONTINUED

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

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

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

During the period between 1st January, 2018 and the date of disposal, Absolute Apex and its subsidiaries contributed no material profit or loss to the Group's results. Absolute Apex and its subsidiaries did not have material effect on the Group's cash flow during the year ended 31st December 2018.

34. SHARE-BASED PAYMENTS

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

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

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

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

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

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

(a) any eligible employee;

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

34. SHARE-BASED PAYMENTS – CONTINUED

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

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

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

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

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

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

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

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

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

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

34. SHARE-BASED PAYMENTS – CONTINUED

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

At 31st December, 2019, the number of shares in respect of which options remained outstanding under the Scheme was Nil (2018: 2,097,506), representing Nil (2018: 0.2%) of the shares of the Company in issue at that date.

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

	Date of grant	Exercise price per share	Exercisable period	Outstanding at 1st January, 2018	Expired/ forfeited during the year	Outstanding at 31st December, 2018	Expired during the year	Outstanding at 31st December, 2019
Directors of the Company	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	434,393	–	434,393	(434,393)	–
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	2,270,014	(2,270,014)	–	–	–
				2,704,407	(2,270,014)	434,393	(434,393)	–
Other eligible persons	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	2,656,012	(992,899)	1,663,113	(1,663,113)	–
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	3,351,039	(3,351,039)	–	–	–
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	1,804,040	(1,804,040)	–	–	–
	19th April, 2010	1.6170	20th April, 2011 to 19th April, 2020	159,180	(159,180)	–	–	–
	19th April, 2010	1.6170	20th April, 2012 to 19th April, 2020	159,180	(159,180)	–	–	–
				8,129,451	(6,466,338)	1,663,113	(1,663,113)	–
Total				10,833,858	(8,736,352)	2,097,506	(2,097,506)	–
Exercisable				10,833,858		2,097,506		–
Weighted average exercise price (HK$)				1.00		0.85		N/A

The Group recognised the total expenses of Nil (2018: Nil) for the year ended 31st December, 2019 in relation to the share options granted by the Company.

35. CAPITAL RISK MANAGEMENT

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

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

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

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 **RMB'000**	2018 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**749,257**	883,643
Financial liabilities		
Amortised cost	**359,437**	736,217

Financial risk management objectives and policies

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

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Market risk

Currency risk

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

	Liabilities		Assets	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**–**	32,943	**17,496**	106,503
HK$	**1,978**	305,168	**3,338**	2,019
EUR	**347,211**	348,624	**–**	–

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against HK$, US$ and EUR. 5% (2018: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2018: 5%) change in foreign currency rate. The sensitivity analysis includes other receivables, amounts due from related companies, amounts due to related companies, amounts due to directors, cash and cash equivalents, corporate bonds and bank borrowing that are denominated in HK$, US$ and EUR. A positive (negative) number below indicates a decrease (an increase) in post-tax profit (2018: an increase (a decrease) in post-tax loss for the year) where HK$, US$ and EUR weakening 5% (2018: 5%) against the functional currency of the relevant group entities. For a 5% (2018: 5%) strengthen of HK$, US$ and EUR against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result.

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Market risk – Continued

Currency risk – Continued

Sensitivity analysis – Continued

	US$ Impact		HK$ Impact		EUR$ Impact	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Post-tax profit/loss for the year	**875**	3,678	**68**	(15,157)	**(17,361)**	(17,431)

Interest rate risk

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

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

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

Credit risk and impairment assessment

As at 31st December, 2019, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

Factoring receivables, other receivables and loan commitment

The Group has concentration of credit risk on factoring receivables, other receivables and loan commitment. Factoring receivables and other receivables were mainly due from seven (2018: six) and Nil (2018: two) external parties respectively. Loan commitment was mainly relating to six (2018: three) external parties for an undrawn amount of RMB75,000,000 (2018: RMB157,000,000) as at 31st December, 2019.

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

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

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

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

No loss allowance for the loan commitment was recognised in the profit or loss because the amount involved is insignificant.

Amounts due from related companies

The Group has taken into account the economic outlook of the industries in which the related companies operate, and concluded that there has been no significant increase in credit risk since initial recognition. The expected credit losses on amounts due from related companies are considered to be insignificant.

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

Cash and cash equivalents

The credit risk on liquid funds (i.e. bank balances) is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and Jiangsu Yue Da Group Finance, which is considered as of high credit quality by the management.

As at 31st December, 2019, the Group performed impairment assessment on bank balances by reference to the average loss rates for respective credit rating grades published by international credit-rating agencies and concluded that the exposure credit loss is insignificant.

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

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

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2019 RMB'000	2018 RMB'000
Financial assets at amortised cost						
Other receivables	22	N/A	Low risk	12m ECL (not credit-impaired)	385	5,613
		N/A	Watch list	12m ECL (not credit-impaired)	–	32,942
		N/A	Doubtful	Lifetime ECL (credit-impaired)	–	40,925
					385	79,480
Factoring receivables	22	N/A	Low risk	12m ECL (not credit-impaired)	540,009	633,000
Long-term deposits	20	N/A	Low risk	12m ECL (not credit-impaired)	–	8,115
Amounts due from related companies	23	N/A	Low risk	12m ECL (not credit-impaired)	5,420	6,100
Cash and cash equivalents	24	Ba1 to Aa3	Low risk	12m ECL (not credit-impaired)	206,399	162,551
Other item						
Amount due from a related company (lease receivables)	23	N/A	Low risk	Lifetime ECL (not credit-impaired)	1,693	–

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

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

	Other receivables			Factoring receivables	
	12m ECL (not-credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000	**12m ECL (not-credit-impaired)** RMB'000	**Total** RMB'000
As at 1st January, 2018	–	5,873	5,873	–	5,873
Changes due to financial instruments recognised as at 1st January, 2018:					
– Transfer to 12m ECL (not credit-impaired)	4,063	(4,063)	–	–	–
– Impairment losses recognised	–	913	913	–	913
– Impairment losses reversed	(3,758)	–	(3,758)	–	(3,758)
New financial assets originated or purchased	–	–	–	2,587	2,587
As at 31st December, 2018	305	2,723	3,028	2,587	5,615
Changes due to financial instruments recognised as at 1st January, 2019:					
– Impairment losses reversed	(305)	–	(305)	(2,587)	(2,892)
– Eliminated on disposals of subsidiaries	–	(2,723)	(2,723)	–	(2,723)
New financial assets originated or purchased	–	–	–	2,956	2,956
As at 31st December, 2019	–	–	–	2,956	2,956

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of borrowings.

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Liquidity risk – Continued

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities and lease liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2019								
Non-derivative financial liabilities and lease liabilities								
Trade and other payables	–	5,528	–	–	–	–	5,528	5,528
Amounts due to related companies	–	6,362	–	–	–	–	6,362	6,362
Amounts due to directors	–	336	–	–	–	–	336	336
Bank borrowing	1.2	–	1,042	3,125	348,947	–	353,114	347,211
Lease liabilities	6.1	–	237	184	61	–	482	469
		12,226	1,279	3,309	349,008	–	365,822	359,906
2018								
Non-derivative financial liabilities								
Trade and other payables	–	36,905	3,486	11,033	267	–	51,691	51,691
Amounts due to related companies	6	11,898	–	176,551	–	–	188,449	188,269
Amounts due to directors	–	329	–	–	–	–	329	329
Corporate bonds	7.81	–	70,321	80,311	–	–	150,632	147,304
Bank borrowing	1.2	–	1,046	3,138	356,991	–	361,175	348,624
		49,132	74,853	271,033	357,258	–	752,276	736,217

The amounts included above for variable interest rate instruments is subject to change if interest rates differ to those determined at the end of the reporting period.

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities	Amounts due to related companies	Corporate bonds	Bank borrowing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2018	–	460,252	138,003	–	598,255
Financing cash flows	–	(169,777)	(8,529)	329,520	151,214
Disposals of subsidiaries *(Note 33(c))*	–	(124,592)	–	–	(124,592)
Purchase of a motor vehicle *(Note 42(i)(a))*	–	60	–	–	60
Foreign exchange translation	–	21,316	6,754	15,602	43,672
Interest expenses	–	1,010	11,076	3,502	15,588
At 31st December, 2018	–	188,269	147,304	348,624	684,197
Adjustment upon application of HKFRS 16	2,249	–	–	–	2,249
As at 1st January 2019 (restated)	2,249	188,269	147,304	348,624	686,446
Financing cash flows	(1,487)	160,782	(147,108)	(4,870)	7,317
Offset with amount due from a related company *(Note i)*	–	(45,686)	–	–	(45,686)
Disposals of subsidiaries *(Note ii)*	–	(301,404)	–	–	(301,404)
Recognition of lease liabilities	445	–	–	–	445
Derecognition of lease liabilities	(827)	–	–	–	(827)
Foreign exchange translation	12	2,683	(3,465)	(1,413)	(2,183)
Interest expenses	77	915	3,269	4,870	9,131
At 31st December, 2019	469	5,559	–	347,211	353,239

Notes:

(i) During the year ended 31st December, 2019, pursuant to the agreement entered into between the Group, the immediate holding company and an intermediate holding company, the amount due to the immediate holding company of RMB45,686,000 by the Group has been offset against with the amount due from an intermediate holding company of the Company.

(ii) During the year ended 31st December, 2019, amounts due to related companies of totalling RMB303,936,000 of the Group were settled upon the completion of YDM Disposal and Yuelong Disposal as detailed in notes 33(a) and 33(b), among which RMB301,404,000 were non-trade related balances.

38. RETIREMENT BENEFITS SCHEMES

The relevant PRC subsidiaries are required to make contributions to the state-managed retirement schemes in the PRC based on 20% (2018: 20%) of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staffs.

In addition, the Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes either 5% to 10% (2018: 5% or 10%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost of RMB1,502,000 (2018: RMB1,977,000) recognised to profit or loss represents contributions payable to these schemes by the Group in respect of current year.

39. OPERATING LEASES

The Group as leasee

	2018 RMB'000
Minimum lease payments paid under operating leases during the year	5,510

As at 31st December, 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000
Within one year	5,835
In the second to fifth years inclusive	260
	6,095

Included in the above are lease commitment to a shareholder and a fellow subsidiary of RMB3,310,000 by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term of two years and rentals are fixed for an average for two years.

40. CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	555

41. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2019, the consideration of YDM Disposal of RMB37,706,000 was settled through the amount due to a related company.

During the year ended 31st December, 2019, the consideration of Yuelong Disposal of RMB230,800,000 was settled through the amount due to a related company.

During the year ended 31st December, 2019, pursuant to the agreement entered into between the Group, the immediate holding company and an intermediate holding company, the amount due to the immediate holding company of RMB45,686,000 by the Group has been offset against with the amount due from an intermediate holding company of the Company.

During the year ended 31st December, 2019, the Group entered into a new lease agreement for the use of leased properties for two years. On the lease commencement, the Group recognised right-of-use asset of RMB449,000 and lease liability of RMB445,000.

During the year ended 31st December, 2018, the consideration of Absolute Apex Disposal of RMB140,000,000 was settled through the amount due to a related company.

42. RELATED PARTY DISCLOSURES

(i) Other than as disclosed elsewhere in the consolidated financial statements, the Group has following transactions and balances with government-related entities:

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government. The Company is ultimately controlled by the PRC government. The Company's parent is Yue Da Capital HK, a company incorporated in Hong Kong with limited liabilities, and the Company's ultimate parent is Jiangsu Yue Da, which is controlled by the Yancheng Municipal People's Government.

42. RELATED PARTY DISCLOSURES – CONTINUED

(i) Other than as disclosed elsewhere in the consolidated financial statements, the Group has following transactions and balances with government-related entities: (continued)

(a) Transactions and balances with subsidiaries of Jiangsu Yue Da:

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Immediate holding company			
Yue Da Capital HK	Rental income *(Note i)*	**1,693**	–
Shareholder			
YDHK	Expenses relating to short-term leases for office premises *(Note ii)*	**2,770**	–
	Operating lease expenses for office premises *(Note ii)*	**–**	2,633
Fellow subsidiary			
Yue Da Enterprise	Expenses relating to short-term leases for staff quarter *(Note ii)*	**565**	–
	Operating lease expenses for staff quarter *(Note ii)*	**–**	537
Jiangsu Yue Da Group Finance	Interest expenses on amount due to a related company	**915**	1,010
Yue Da Commercial Factoring Co., Ltd.	Interest income from factoring service	**–**	61
Yaoan Jin San Jiang	Purchase of a motor vehicle	**–**	60

Notes:

(i) The rental income were generated from sublease of short-term leases for office premises and staff quarter by the Group. All relevant lease contracts were completed as at 31st December, 2019.

(ii) The rentals were charged in accordance with the relevant tenancy agreements.

42. RELATED PARTY DISCLOSURES – CONTINUED

(i) Other than as disclosed elsewhere in the consolidated financial statements, the Group has following transactions and balances with government-related entities: (continued)

(a) Transactions and balances with subsidiaries of Jiangsu Yue Da: (continued)

Details of the outstanding balances with subsidiaries of Jiangsu Yue Da are set out in Notes 22 and 23.

Details of the guarantee provided by Yue Da Capital are set out in Note 29.

Details of YDM Disposal with YDHK during the year ended 31st December, 2019 are set out in Note 33(a).

Details of Yuelong Disposal with YDHK during the year ended 31st December, 2019 are set out in Note 33(b).

Details of Absolute Apex Disposal with YDHK during the year ended 31st December, 2018 are set out in Note 33(c).

(b) Transactions and balances with other government related entities:

Apart from the transactions with related parties disclosed above, the Group also conducts business with other government related entities. The directors of the Company consider those government related entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other government related entities, the Group does not differentiate whether the counter-party is a government related entity or not.

(ii) Compensation of key management personnel

The remuneration of directors and key management during the year, which is determined by the remuneration committee having regard to the performance of individuals and market trends, is as follows:

	2019 **RMB'000**	2018 RMB'000
Short-term benefits	**3,050**	3,556
Post-employment benefits	**295**	295
	3,345	3,851

43. EVENTS AFTER THE REPORTING PERIOD

The outbreak of the novel coronavirus in late December 2019 ("COVID-19") has adversely impacted global economic activity in the period subsequent to the reporting date. Given the widespread nature of the outbreak, the relative impact to the Group's operation cannot be reliably quantified or estimated as at the date of this report. Up to the date of approving the issuance of these consolidated financial statements, the Group has not experienced any default in repayment of factoring receivables, interest income and management fee from accounts receivable management and collection services from its customers. The Company will remain highly alert about the impact of the epidemic on its operation and take any necessary measures to mitigate the impact.

Other than this and matters outlined in these financial statements, there have been no matters that have occurred subsequent to the reporting date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs in future years.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31st December, 2019 and 2018 are as follows:

Name of subsidiary	Country of establishment and operations	Registered capital	Attributable equity interest held indirectly by the Company		Principal activities
			2019 **%**	2018 %	
Baoshan Feilong *(Note)*	PRC	Registered capital – RMB34,500,000	**–**	100	Mining and processing of zinc, copper and lead
Yueda (Shenzhen) Commercial Factoring Co., Ltd. *(Note)*	PRC	Registered capital – RMB400,000,000	**100**	100	Provision of factoring services, accounts receivable management and collection and factoring consultancy service

Note: The companies are wholly foreign-owned enterprises.

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

None of the subsidiaries had issued any debt securities at the end of the year.

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current assets		
Property, plant and equipment	60	41
Right-of-use assets *(note)*	291	–
Investments in subsidiaries	1	230,028
	352	230,069
Current assets		
Other receivables	123	2,580
Amounts due from subsidiaries	362,790	448,477
Amounts due from related companies	4,613	–
Bank balances and cash	18,282	2,240
	385,808	453,297
Current liabilities		
Other payables and accruals	8,215	12,907
Lease liabilities *(note)*	234	–
Amount due to a subsidiary	49,942	–
Amounts due to related parties	6,362	210,585
Amounts due to directors	336	329
Corporate bonds	–	147,304
	65,089	371,125
Net current assets	320,719	82,172
Total assets less current liabilities	321,071	312,241
Capital and reserves		
Share capital	105,965	105,965
Reserves	215,045	206,276
Equity attributable to owners of the Company	321,010	312,241
Non-current liabilities		
Lease liabilities *(note)*	61	–
	321,071	312,241

Note: The Company has applied HKFRS 16 since 1st January, 2019 in accordance with transitional provision stated in Note 2.

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – CONTINUED

Movement in the Company's capital and reserves:

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital contribution RMB'000 *(Note i)*	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1st January, 2018	105,965	967,576	231,749	16,581	11,745	(993,472)	340,144
Loss for the year	–	–	–	–	–	(27,903)	(27,903)
Expiry/forfeit of share options	–	–	–	–	(10,976)	10,976	–
At 31st December, 2018	105,965	967,576	231,749	16,581	769	(1,010,399)	312,241
Profit for the year	–	–	–	–	–	6,537	6,537
Expiry of share options	–	–	–	–	(769)	769	–
Capital contribution upon disposal of subsidiaries	–	–	–	2,232	–	–	2,232
At 31st December, 2019	105,965	967,576	231,749	18,813	–	(1,003,093)	321,010

Notes:

(i) The capital contribution represents deemed contributions from (distributions to) the ultimate parent and a shareholder arising from:

(a) certain transactions with the Company in prior years; and

(b) a deemed capital contribution from a shareholder of the Company due to YDM Disposal.

FINANCIAL SUMMARY

	Year ended 31st December,				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Revenue (including continuing and discontinued operations)	113,655	84,370	79,477	87,429	**64,354**
(Loss) profit for the year attributable to:					
Owners of the Company	(163,405)	(41,424)	(25,736)	(46,515)	**30,177**
Non-controlling interests	2,605	(424)	(33,197)	(920)	**–**
	(160,800)	(41,848)	(58,933)	(47,435)	**30,177**

	As at 31st December,				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Assets and liabilities					
Total assets	767,878	823,526	1,155,466	1,163,835	**754,220**
Total liabilities	(337,939)	(350,470)	(741,343)	(826,998)	**(384,974)**
	429,939	473,056	414,123	336,837	**369,246**
Equity attributable to owners of the Company	367,448	410,989	385,253	336,837	**369,246**
Non-controlling interests	62,491	62,067	28,870	–	**–**
	429,939	473,056	414,123	336,837	**369,246**