

2. Discontinued operation and assets of disposal group

As disclosed in the Group's announcements dated 24 November 2017, 30 November 2017, 4 December 2017 and 9 February 2018, the Group is currently in discussion with the Sichuan Provincial Government on the Mianzhu City Government's request for the Group to provide a letter of undertaking to *inter alia*, vacate and rehabilitate its mining site in respect of Mine 2 and the Fengtai mine and the non-renewal of the Mine 1 mining license.

Following discussion with the Sichuan Provincial Government on 30 November 2017 to dispose of Mine 1, Mine 2 and Fengtai mine, collectively ("the Mining Assets"), by sale or otherwise to the Sichuan Provincial Government, the directors are of the view that the Mining Assets are (i) available for immediate sale; (ii) the disposal is highly probable as the Sichuan Provincial Government has indicated its preference for an amicable settlement; and (iii) the Mining Assets are genuinely disposed, not abandoned.

Accordingly, the assets and directly associated liability of the Mining Assets were presented as assets of disposal group and liability directly associated with disposal group on the Group's consolidated balance sheet. Arising thereon, the results of the Group's upstream segment have been reclassified as discontinued operation on the Group's consolidated statement of comprehensive income statement. Comparatives were re-presented to conform with FY2017's presentation.

The Chinese Government has yet to finalise the compensation amount. Based on an independent valuation report of the Mining Assets, the directors are of the view that the fair value less costs of disposal of the Mining Assets is higher than their respective carrying amounts as at 31 December 2017. Accordingly, no impairment was identified for the Mining Assets for year ended 31 December 2017.

As at the date of this report, the Group is still in negotiations with the Sichuan Provincial Government for a settlement in relation to the above matter.

4.1 **Judgements made in applying accounting policies**

(a) **Assets and liability of disposal group**

As disclosed in the Group's announcements dated 24 November 2017, 30 November 2017, 4 December 2017 and 9 February 2018, the Group is in discussion with the Sichuan Provincial Government on the Mianzhu City Government's request for the Group to provide a letter of undertaking to *inter alia*, vacate and rehabilitate its mining site in respect of Mine 2 and the Fengtai mine and the non-renewal of the Mine 1 mining license. The Group's lawyers have advised that the requests may be a prelude to formal negotiations on the withdrawal of the mining and exploration licenses.

All mining related property, plant and equipment, mining properties, goodwill and mining deposits were reclassified as "assets of disposal group" in current assets on the consolidated balance sheet as at 31 December 2017, as the Group is of the view that these assets are available for immediate disposal, by sale or otherwise, in their present condition and a settlement agreement with the Sichuan Provincial Government is highly probable as it has indicated its preference for an amicable settlement. No provision for impairment has been identified as based on independent valuation, the fair value of the mining and exploration licenses are higher than the carrying value of these assets.

Provision for rehabilitation were reclassified to "liability held for disposal" in current liabilities on the consolidated balance sheet as at 31 December 2017, as the provision is directly associated to the disposal group and the Group is of the view that the cost of rehabilitation will be deducted from the settlement proceeds.

4.2 **Key sources of estimation uncertainty**

(d) **Impairment of assets of disposal group**

Assets of disposal group includes all mining related property, plant and equipment, mining properties, goodwill and mining deposits.

Based on independent valuation of the mining assets, the fair value of the relevant assets is greater than their carrying value. Based on independent legal opinion, the settlement amount to be paid by a host state to an investor in the event of expropriation is based on the fair market value of the asset/(s) immediately before the expropriation event. Inevitably, uncertainties exist with respect to the recoverable amount as it is subjected to further negotiations and PRC laws.

The directors, based on currently available information, are of the opinion that the fair value less cost to sell is higher than the carrying amount of the assets held for disposal. Accordingly, no impairment loss was recorded in the consolidated income statement for FY2017. The carrying amount of assets of disposal group as at 31 December 2017 was \$90,110,000 (2016: Nil).

9. Discontinued operation and disposal group

The Company announced on 24 November 2017, 30 November 2017, 4 December 2017 and 9 February 2018 that the Group is in discussion with the Sichuan Provincial Government on the Mianzhu City Government's request for the Group to provide a letter of undertaking to *inter alia*, vacate and rehabilitate its mining sites in respect of Mine 2 and the Fengtai mine and the non-renewal of the Mine 1 mining license. The Group's lawyers have advised that the request may be a prelude to formal negotiations on the withdrawal of the exploration licenses.

In accordance with FRS 105 *Non-current assets held for sale and discontinued operations*, all mining related property, plant and equipment, mining properties, goodwill, mining deposits and levy have been reclassified as "assets of disposal group" in current assets on the consolidated balance sheet as at 31 December 2017, as the directors are of the view that the value of these assets are to be recovered via a sale transaction or otherwise and (i) they are available for immediate sale in their present condition and (ii) a settlement agreement with the Sichuan Provincial Government is highly probable as the Sichuan Provincial Government has indicated its preference for an amicable settlement. Provision for rehabilitation was reclassified as "liability of disposal group" in current liabilities on the consolidated balance sheet as at 31 December 2017 as the provision is directly associated with the disposal group and the directors are of the view that the cost of rehabilitation will be deducted from the settlement proceeds. The results from mining operations are presented separately on the consolidated income statement as "Discontinued operation".

Immediately before the classification to assets of disposal group, the recoverable amount was estimated for the mining assets. Based on independent valuation of the mining assets, the fair value of the relevant assets is greater than their carrying value. No impairment loss was identified for FY2017.

Based on legal advice received, the Company is entitled to seek compensation in international arbitration based on the fair market value of the asset/(s) immediately before the expropriation event. Accordingly, based on independent valuation report of the affected assets, the directors are of the opinion that the fair market value less cost of disposal is higher than the carrying amount of the assets and liability of disposal group.

As at the date of this report, the Group is still in negotiations with the Sichuan Provincial Government for a settlement in relation to the above matter.

9. Discontinued operation and disposal group (cont'd)

Balance sheet disclosures

Group	Mining properties \$'000 (Note 10)	Mining related property, plant and equipment \$'000 (Note 12)	Goodwill \$'000 (Note 16)	Deposits for rehabilitation and mining levy \$'000 (Note 14)	Total \$'000
Assets of disposal group					
At 30 November 2017	65,261	12,283	12,249	251	90,044
Currency realignment	3	62	–	1	66
At 31 December 2017	65,264	12,345	12,249	252	90,110

Group	Provision for rehabilitation \$'000 (Note 29)	Total \$'000
Liability of disposal group:		
At 30 November 2017	811	811
Currency realignment	4	4
At 31 December 2017	815	815
Net assets of disposal group		89,295

Income statement disclosures:

The results of discontinued operation for the years ended 31 December are as follows:

	Group	
	2017 \$'000	2016 \$'000
Revenue	6,990	10,787
Cost of sales	(4,949)	(7,835)
Gross profit	2,041	2,952
Other income	19	13
Selling and distribution costs	(33)	(58)
General and administrative costs	(952)	(649)
Finance costs	(65)	(59)
Profit before tax from discontinued operation	1,010	2,199
Taxation	(256)	(437)
Profit from discontinued operation, net of tax	754	1,762

9. Discontinued operation and disposal group (cont'd)

Cash flow statement disclosures:

The cash flows attributable to the disposal group are as follows:

	Group	
	2017	2016
	\$'000	\$'000
Operating	308	4,398
Investing	(1,833)	(3,277)
Financing	61	50
Net cash (outflows)/inflows	(1,464)	1,171