中矿国际有限公司

CHINA MINING INTERNATIONAL LIMITED

ANNUAL REPORT 2019

CONTENTS

CHAIRMAN'S MESSAGE

CHAIRMAN'S MESSAGE

On behalf of the Board of Directors, I hereby present the Annual Report of China Mining International Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended December 31, 2019 ("FY2019").

GUO YING HUI
Chairman

FINANCIAL REVIEW

The Group recorded a pre-tax loss of RMB23.3 million and a gross profit of RMB1.4 million against a turnover of RMB5.0 million for FY2019. By contrast, it registered a pre-tax profit of RMB5.2 million and a gross profit of RMB20.9 million against a turnover of RMB41.6 million for the financial year ended 31 December 2018 ("FY2018").

The significant decrease in turnover, generated mainly from the sales of developed properties, was principally attributed to far fewer completed balanced units and at lower yielding prices being sold in FY2019 relative to FY2018 for the Xinxiang Sunny Town Project (新乡阳光新城项目).

The net loss of the Group decreased from an after-tax loss of RMB0.9 million in FY2018 to an after-tax loss of RMB23.4 million in FY2019 primarily as a result of the lower turnover mentioned above coupled with the significant increase in administrative expenses, which rose from RMB19.6 million in FY2018 to RMB23.4 million in FY2019, as a result of higher depreciation expense following the initial adoption of new accounting standard IFRS 16 in the current financial year as well as increased staff strength and salary adjustments as the Group made preparations to reorganise its business activities.

The Group's net loss attributable to shareholders, which widened from RMB11.8 million in FY2018 to RMB31.2 million in FY2019, was mainly attributed to the net loss mentioned above coupled with the fair value loss of the Group's investment in an African mining company.

The Group's cash and cash equivalents increased to RMB29.2 million from RMB25.8 million over the same financial years under consideration.

OPERATIONS REVIEW

The Company was placed on the watch-list under the minimum trading price entry criteria pursuant to Rule 1311(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited from 6 June 2019. The Company is mindful of the status and will be actively working to fulfil the requirements to exit the watch-list.

With regard to the Group's planned diversification into the growing agricultural industry in China via the possible acquisition by the Company of 63.11% of the registered capital of Henan Zhongnong Huasheng Agricultural Science and Technology Co. Ltd. (河南中农华盛农业科技有限公司) (the "Proposed Acquisition"), while discussions and negotiations with the various stakeholders are still ongoing, the Proposed Acquisition is expected to be further delayed and may be complicated by the current severe COVID-19 outbreak in China. We will keep the shareholders updated on the progress of the Proposed Acquisition.

While it has been a challenging year, we remain undeterred and will continue to explore for opportunities to grow the Group. Alerting to the challenges arising from the COVID-19 outbreak, we will also take the necessary precautions for the staff welfare while upholding business continuity.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my deepest appreciation to the management team and staff for their dedication and hard work. I would also like to extend my heartfelt thanks to our esteemed suppliers, customers and business partners for the unrelenting support and confidence that they have in our Group over the years.

On a personal note, I would also like to thank our Board members for their valuable contributions and guidance throughout the year.

Last but not least, I am extremely grateful to you, our shareholders, for standing steadfast with us amidst the challenging and uncertain times, and look forward to your continued support as we strive to improve on the performance of the Group.

GUO YING HUI

Chairman

BOARD OF DIRECTORS


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01 GUO YING HUI
Chairman

Mr Guo Ying Hui ("Mr Guo") is the Chairman and founder of our Group. He was appointed to the Board on 31 January 2005. He is responsible for the formulation of the overall business strategies and policies. Mr Guo has developed his expertise in business operations and development based on his knowledge and experience gained in the property development industry in the PRC for the past 10 years. Mr Guo relinquished as Chief Executive Officer on 16 March 2012 and remains as the Executive Chairman to the Board of Directors.

Prior to establishing the Company's subsidiary, Xinxiang Huilong Real Estate Co., Ltd in 1999, Mr Guo was managing Jiaozuo Huilong Real Estate Co., Ltd for 3 years from 1996 and he was a civil servant in the PRC government for 15 years from 1981. Mr Guo is also currently the Director of Henan Huilong Committee of Registered Accountants of the PRC Finance Department in Group Co., Ltd.

Mr Guo obtained his Masters of Business Administration from Macau University of Science and Technology in 2003, a Certificate in Business Administration from Beijing University in 2002 and a Certificate in Economics Studies from Henan Science Committee in 1999. Mr Guo was appointed a Member of the Company's Nominating Committee on 22 September 2008. His last re-election was on 22 April 2019.

02 LI BIN
Chief Executive Officer

Mr Li Bin ("Mr Li") joined the Group as an investor relation manager and was appointed as Executive Director to the Board of Directors which responsible for the investor relation affairs of our Group on 12 November 2007. Mr Li previously worked in the securities company as senior manager and senior analyst for more than 10 years. Mr Li was appointed as Chief Executive Officer to the Board of Directors on 16 March 2012.

He obtained his Master in Economics from Wuhan University. His last re-election was on 22 April 2019.

03 DONG LING LING
Executive Director

Ms Dong Ling Ling ("Ms Dong") joined the Group in 1996 as a Finance Manager and was appointed as the Group's General Manager on 19 June 2010 and an Executive Director on 29 April 2011. Ms Dong has years of working experience as an accountant in a property company prior to joing the Group. Ms Dong is responsible for the overall accounting management of the Group.

She graduated with an accounting degree from Henan Caijin University. Her last re-election was on 27 April 2018.

04 LIM HAN BOON
Independent and Non-Executive Director

Mr Lim Han Boon ("Mr Lim") was appointed the Independent and Non-Executive Director of our Group on 9 December 2005. From 1997 to 2002, Mr Lim was the General Manager of Solid Resources Group, which is principally engaged in property development in PRC. Prior to joining Solid Resources Group, Mr Lim worked with NIF Management Singapore Pte Ltd and Murray Johnstone Asia Limited. Mr Lim was with the capital market group of DBS Bank from 1990 to 1993. Mr Lim holds a Master of Business Administration (Finance) Degree from the City University, UK and a Bachelor of Accountancy Degree from the National University of Singapore.

His last re-election with the Company was on 27 April 2018.

BOARD OF DIRECTORS

05 NING JIN CHENG

Independent and Non-Executive Director

Mr Ning Jin Cheng ("Mr Ning") was appointed the Independent and Non-Executive Director of our Group on 9 December 2005. Mr Ning is concurrently appointed as the Independent and Non-Executive Director in few PRC companies. He has been a professor of law at the Zhengzhou University since 1997 and has been a practicing lawyer in PRC since 1988. He was a certified as a professor specializing in private commercial law by the Henan Teachers Qualification Appraisal Committee in 1997.

He was an Independent Non-Executive Director of Lingbao Gold Company Ltd ("Lingbao Gold"), a company listed on the Hong Kong stock exchange, during the period from September 2002 to January 2009. Lingbao Gold is principally engaged in the mining, processing, smelting and sale of gold and other metallic products in the PRC.

He obtained a Doctorate of Philosophy in Law (Civil Law and Business Law) from the Macau University of Science and Technology in 2005. His last re-election was on 22 April 2019.

06 CHAN SIEW WEI

Independent and Non-Executive Director

Mr Chan Siew Wei ("Mr Chan") was appointed the Independent and Non-Executive Director of our Group on 15 May 2012. Mr Chan graduated from the National University of Singapore with a Bachelor of Accountancy in 1984. From 1989 to 2010, he acted as an auditing partner of Chan Hock Seng & Co., a Certified Public Accounting Firm (CPA) in Singapore. He is currently the finance director of Toplink Pacific Pte Ltd, a technology company, and a Director of INPACT Asia Pacific, an independent accounting firm networks in the Asia Pacific region.

Mr Chan is actively involved in non-profit organisations. On 1 September 2008, Mr Chan was appointed as the Board Director and Treasurer of World Future Foundation Ltd. A foundation sought to tackle issues threatening the future development of humanity.

He is also a member of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors. His last re-election was on 22 April 2019.

KEY MANAGEMENT

HO KOK WENG

Mr Ho Kok Weng ("Mr Ho") joined China Mining International Limited as the Chief Financial Officer in 2019 and is responsible for the finance functions of the Group. Prior to joining the Group, he worked for several multinational and listed companies in a wide range of industries including offshore, electronics, automotive and manufacturing.

Mr Ho is a fellow member of Association of Chartered Certified Accountants (ACCA) and a member of the Institute of Singapore Chartered Accountants.

WU YU

Ms Wu Yu ("Ms Wu"), the Risk Controller of the Group, joined the Group in March 2018. She graduated with a Bachelor Degree in Law from both Zhengzhou University as well as Graduate School of Chinese Academy of Social Sciences.

Prior to joining the Group, Ms Wu had been a practicing lawyer in China as well as held various senior positions, taking charge of matters relating to law or risk control, with several securities or investment consulting firms in China. Over the years, she had accumulated an abundance of experience in project risk management.

LI JI GANG

Mr Li Ji Gang ("Mr Li") is the General Manager in-charge of the Xinxiang Sunny Town Project (新乡阳光新城项目). He has been with the Real Estate Development department of the Group since 1996.

Mr Li graduated with a Bachelor in Civil Engineering from the Northwestern Polytechnic University, Xi'an, China.

GROUP STRUCTURE

Mining Business

Note:

(1) The Company holds on effective equity interest of 16.06% in Aero Wind Properties Pty Limited. The investment in Sino Feng Mining International S.àr.l. and its subsidaries is classified as “Financial assets at fair value through other comprehensive income” in the Statements of Financial Position (Note 11).

CORPORATE INFORMATION

BOARD OF DIRECTORS

Guo Ying Hui, Chairman and Executive Director
Li Bin, Chief Executive Officer and Executive Director
Dong Ling Ling, Executive Director
Lim Han Boon, Independent Director
Ning Jin Cheng, Independent Director
Chan Siew Wei, Independent Director

JOINT COMPANY SECRETARIES

Foo Soon Soo
Ho Kok Weng

REGISTERED OFFICE

The Offices of Coyners Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Singapore Office:
8 Temasek Boulevard
Suntec Tower 3
#42-00
Singapore 038988
Tel: +65-6866-3221
Fax: +65-6866-3228

China Office:
China Henan Province, Zheng Zhou City, Jin Shui District, Intersection of Zhong Wang Road and Zheng Guang North Street, Zhong Chuang Building 6-Floor Unit 605
Postal Code 450000
Email: chinamining@chnmining.cn

AUDIT COMMITTEE

Lim Han Boon, Chairman
Ning Jin Cheng
Chan Siew Wei

NOMINATING COMMITTEE

Ning Jin Cheng, Chairman
Lim Han Boon
Guo Ying Hui

REMUNERATION COMMITTEE

Chan Siew Wei, Chairman
Lim Han Boon
Ning Jin Cheng

KEY EXECUTIVES

Ho Kok Weng
Wu Yu
Li Ji Gang

SHARE TRANSFER AGENT'S OFFICE

KCK CorpServe Pte Ltd
333 North Bridge Road
#08-00 KH KEA Building
Singapore 188721

CAYMAN ISLANDS SHARE REGISTRAR

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

AUDITOR OF THE COMPANY

Crowe Horwath First Trust LLP
8 Shenton Way
#05-01
AXA Tower
Singapore 068811
Partner-in-Charge: Tan Teck Zhen
Appointed since financial year 2017

PRINCIPAL BANKERS

China Construction Bank Corporation,
Zhengzhou Branch

FINANCIAL CONTENTS

China Mining International Limited (the "Company") is committed to ensuring and maintaining a high standard of corporate governance. This report outlines the Company's corporate governance practices with reference to the Code of Corporate Governance 2018 ("Code"). The Company has complied in all material aspects with the principles and guidelines of the Code as well as compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual's requirements. Where there are deviations from the Code, explanations have been provided. The Company will continue to improve its systems and corporate governance processes in compliance with the Code.

BOARD MATTERS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long term success of the company

Provision 1.1
Board's Role

The Directors are fiduciaries who must act objectively in the best interests of the Company and hold Management accountable for performance. The Board has put in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

The primary role of the Board is to protect and enhance long-term shareholders' value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, taking into consideration of sustainability issues, including setting its strategic direction, establishing goals for management, monitoring the achievement of these goals to enhance shareholders' value and establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets.

The Board recognises that, to ensure the sustainability of the business of the Group, the Group has to identify the key stakeholder groups whose perceptions affect the Group's reputation and strike a balance between its business needs and the needs of the society and the environment in which it operates.

Provision 1.2
Directors' Duties and Responsibilities

All directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group.

Directors must understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). The Company has in place a process of induction, training and development for new and existing directors as set out herein.

Orientation, briefings, updates and training for directors

The Company has in place an orientation process. A new incoming director is issued a formal letter of appointment setting out his duties and obligations, and, where appropriate, incorporating processes to deal with possible conflicts of interest that may arise.

Incoming directors joining the Board will undergo an orientation programme which includes management introduction on the Group's businesses and strategic plans and objectives, and site visits. New director will be briefed by the NC on his or her director's duties and obligations and introduced to the Group's business and governance practice and arrangements, in particular the Company's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information.

The incoming director will meet up with the senior management and the Company Secretary to familiarize himself or herself with their roles, organization structure and business practices. This will enable him or her to get acquainted with senior management and the Company Secretary thereby facilitating board interaction and independent access to senior management and the Company Secretary.

The directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act and industry-related matters, so as to update and refresh them on matters that may affect or enhance their performance as board or board. Briefings and updates provided for directors in FY2019 include:

- At AC meeting, the external auditors, briefed the AC members on developments in accounting and governance standards.
- The Board was briefed on relevant rules and regulations including listing rules of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the guidelines of the 2018 Code of Corporate Governance by the company secretary.
- The CEO updates the Board at each meeting on business and strategic developments.
- The management highlights the salient issues as well as the risk management considerations pertaining to the businesses of the Group.
- The directors can request for further explanations, briefings or information on any aspect of Group's operations or business issues from management.

Provision 1.3
Internal Guidelines on Matters Requiring Board Approval

Matters specifically reserved for the Board for approval are:

- annual budgets, financial plans, financial statements;
- business strategy;
- material transactions, namely, major acquisitions, divestments;
- funding and investment proposals;
- annual capital and operating budget and operating expenditure; and
- share issuances, dividends and other returns to shareholders

Provision 1.4
Delegation of Authority to Board Committees

The Board has formed Board Committees namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") to assist in carrying out and discharging its duties and responsibilities efficiently and effectively.

These Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The operating procedures require a Board Committee member to disclose his interest and recuse himself from discussions and decisions involving a conflict of interest.

Below the Board level, there is appropriate delegation of authority and approval sub-limits at management level, to facilitate operational efficiency.

Please refer to Principles 4 to 10 herein for further information on the composition and activities of the NC, RC and AC.

Provision 1.5
Meetings of Board and Board Committees

The Board meets regularly and as warranted by particular circumstances or as deemed appropriate by the Board members. The Company Secretary is present at such meetings to record the proceedings. The Company's Constitution allows the Board meetings to be conducted by way of telephonic or video conference meetings.

The table below sets out the number of Board and Board Committee meetings which were convened during FY2019:

	Board	Audit	Remuneration	Nominating
Number of meetings held	4	4	1	1
Name of directors		**Number of meetings attended**		
Guo Yinghui	4	4*	1*	1
Li Bin	4	4*	1*	1*
Lim Han Boon	4	4	1	1
Ning Jin Cheng	4	4	1	1
Chan Siew Wei	4	4	1	1*
Dong Ling Ling	4	4*.	1*	1*

**attended by invitation.*

While the Board considers Directors' attendance at Board meetings to be important, it is not the only criterion to measure their contributions. The Board also takes into account the contributions by board members in other forms including periodic review, provision of guidance and advice on various matters relating to the Group.

Provisions 1.6 and 1.7
Board's Access to Management, Company Secretary and external advisers

All Directors are from time to time furnished with information concerning the Company and the Group to enable them to be fully informed of all material events and transactions of the Group, including major decisions and actions of the management. Board papers are sent to Directors prior to each Board and Board Committee meeting. Management is available to provide explanatory information in the form of briefings to the Directors or formal presentations in attendance at Board meetings, or by external consultants engaged on specific projects. The Board has unrestricted access to the Management and Company's records and information.

Directors have separate and independent access to the company Secretary. The Company Secretary present at Board meetings to assist in ensuring that Board procedures as well as applicable rules and regulations are followed. The minutes of all Board committees' meetings are circulated to the Board on a timely basis for review and approval.

The Board is fully involved in and responsible for the appointment and removal of the Company Secretary.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as Directors.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1
Independence of Directors

As at the date of this Report, the Board of Directors comprises six members; of whom three are independent.

	Board appointments		**Board committees**		
	Executive director	**Independent director**	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Mr Guo Yinghui (Chairman)	*			Member	
Mr Li Bin	*				
Ms Dong Ling Ling	*				
Mr Lim Han Boon		*	Chairman	Member	Member
Mr Ning Jin Cheng		*	Member	Chairman	Member
Mr Chan Siew Wei		*	Member		Chairman

The criteria for independence is based on the definition given in the Code and the Listing Rules. The Code has defined an "independent director" as one who is independent in conduct, character and judgement and who has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to in the best interests of the Company. Under the Listing Rules, an independent director is not one who is or has been employed by the Company or any of its related corporations for the current or any of the past three financial years; or not one who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the RC.

For the purpose of determining directors' independence, every director has provided declaration of his independence which is reviewed by the NC and the Board. Except for the executive directors, all the other directors on the Board are considered by the NC and the Board to be independent directors.

Mr Lim Han Boon, Mr Ning Jin Cheng and Mr Chan Siew Wei have confirmed that they have no association with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment. The independence of each Independent Director is also reviewed annually by the NC.

Lim Han Boon and Mr Ning Jin Cheng, who were both appointed as Independent Directors of the Company on 9 December 2005, have each served the Board beyond nine years. Taking into account the views of the NC, the Board concurs with the NC that the length of service of a Director should not determine the effectiveness of independence of an Independent Director. In assessing the independence of a Director, the NC and the Board consider it more appropriate to exercise independence of judgment in his deliberation in the interest of the Company. The Board has undertaken a rigorous review of their independence which includes critical examination of any conflicts of interest, as well as other factors such as their review and scrutiny of matters and proposals put before the Board. The Board is of the view that the Independent Directors have over the years developed significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. The Independent Directors, particularly Mr Lim, have also been instrumental in instilling and inculcating a culture of good corporate governance within the Group.

After taking into account all the aforesaid factors, the Board (with Mr Lim and Mr Ning recusing themselves from the deliberation of the Board) concurred that Mr Lim and Mr Ning are independent.

Details of the Board members' qualifications and experience are presented under the profile of the Board of Directors in the annual report.

Provisions 2.2 and 2.3
Composition of Independent Directors and Non-Executive Directors on the Board

Under the Listing Rules, the Independent Directors should make up one-third of the Board. The composition of the Board complies with the Listing Rules.

Under Provision 2.2 of the Code, the Independent Directors should make up a majority of the Board where the Chairman is not an independent director. Under Provision 2.3 of the Code, the Non-Executive Directors should make up a majority of the Board. All the Non-Executive Directors are Independent Directors who make up half the Board. Given the Board size of six, the three Independent directors provide a good balance of authority and power within the Board. In addition, the NC, AC and RC which assist the Board in its functions is each chaired by an Independent Director. The Board is of the view that there is a strong independence element within the Board to justify the departure of the Board composition from the Code.

Provision 2.4
Composition and Size of the Board

The Board is of the view that the current Board members comprise experienced persons who possess a balanced field of core competencies such as accounting, finance, and business management.

The composition of the Board is reviewed on an annual basis by the NC, taking into account the scope and nature of the operations of the Group and the requirements of the business, to ensure that the Board is of the appropriate size and to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. Collectively as a team, the current Board provides core competencies such as accounting, legal, business and management experience as well as industry knowledge.

The NC recognises the merits of gender diversity in relation to the composition of the Board and, in identifying candidates for new appointment to the Board, would consider suitable female candidates. Having said that, gender is but one aspect of diversity and new directors will continue to be selected based on objective criteria set as part of the process for appointment of new directors. The current Board has 1 female director out of a total of 6 Directors on the Board.

Provision 2.5
Role of Non-Executive Directors

During the year, the Non-Executive Directors who are all Independent Directors, constructively challenge and help develop both the Group's short-term and long-term business strategies. Management's progress and performance in implementing such agreed business strategies are monitored by the Non-Executive Directors.

The Non-Executive Directors meet amongst themselves without the presence of the other Directors, and the chairman of the meeting will provide feedback to the Chairman of the Board after such meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making

Provision 3.1
Separate role of Chairman and Managing Director

Mr Guo Yinghui is Executive Chairman of the Company. The Executive Chairman leads the Board and is responsible for the leadership of the Board, setting its agenda and ensuring he exercises of control over the quality, quantity and timeliness of information flow between the Board and the management.

Mr Li Bin, an Executive Director, is also the CEO of the Company. The CEO sets the business strategies and directions for the Group and manages the business operations of the Group. He is supported by the other Executive Director and other management staff. The Executive Chairman and the CEO consult with the Board and Board Committees on major issues.

With the separate roles of the Executive Chairman and the CEO, there is a clear separation of the roles and responsibilities between the Executive Chairman and the CEO. The Chairman and the CEO are not related.

Provision 3.2
Roles and Responsibilities of Chairman

The overall role of the Chairman is to lead and ensure the effectiveness of the Board. This includes:

(a) promoting a culture of openness and debate at the Board;

(b) facilitating the effective contribution of all directors;

(c) promoting high standards of corporate governance; and

(d) ensuring effective communication with shareholders and other stakeholders.

Provision 3.3
Lead Independent Director

The Independent Directors and the Executive Directors individually and collectively are available to shareholders as a channel of communication between shareholders and the Board or Management. Thus far, there are no shareholder concerns for which contact through the normal channels of the Executive Chairman, the Executive Directors, the Independent Directors has failed to resolve or is inappropriate, hence no Lead Independent Director has been appointed.

The Independent Directors meet amongst themselves without the presence of the other Directors, and the Independent Directors will provide feedback to the Chairman of the Board after such meetings.

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board

Provisions 4.1 and 4.2
Nominating Committee

The NC comprises of three Directors, of whom two, including the Chairman are independent.

Mr Ning Jin Cheng	Chairman	Independent and Non-Executive Director
Mr Lim Han Boon	Member	Independent and Non-Executive Director
Mr Guo Yinghui	Member	Executive Director

The primary function of the NC is to determine the criteria for identifying candidates and reviewing nominations for the appointment of Directors to the Board, ensuring that the process of Board appointments and re-nominations are transparent, and to assess the effectiveness of the Board as a whole as well as to affirm annually the independence of Directors.

The NC functions under the terms of reference which sets out its responsibilities:

(a) To review the succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;

(b) To recommend to the Board on all board appointments, re-appointments and re-election of Directors;

(c) To assess the independence of the Independent Directors;

(d) To develop a process for evaluation of the performance of the Board, its committees and Directors, and undertake assessment of the effectiveness of the Board, Board Committees and individual Directors; and

(e) To review training and professional development programmes for the Board and its directors

Provision 4.3
Process for the Selection and Appointment of New Directors

The Company has in place the policy and procedures for the appointment of new Directors to the Board, ensuring that the process of Board appointments and re-nominations are transparent.

Where there is a resignation or retirement of an existing Director, the NC will re-evaluate the Board composition to assess the competencies for the replacement. The NC will deliberate and propose the background, skills, qualification and experience of the candidate it deems appropriate. The factors taken into consideration by the NC could include among other things, whether the new director can add to or complement the mix of skills and qualifications in the existing Board, relevance of his experience and contributions to the business of the Company and the depth and breadth he could bring to Board discussions. Candidates are sourced through a network of contacts and identified based on the established criteria. Search can be made through relevant institutions such as the Singapore Institute of Directors (“SID”), professional organisations, business federations or external search consultants. New directors will be appointed by way of a Board resolution, after the NC makes the necessary recommendation to the Board.

The Constitution of the Company require the Directors to submit themselves for re-nomination and re-election at regular intervals of at least once every three years. In addition, a newly appointed director will submit himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to the one-third rotation rule. None of the Directors is due for re-election at the forthcoming AGM.

Provision 4.4
Determining Directors' Independence

Each Independent Director completes a checklist to confirm his independence on an annual basis. The NC has reviewed the independence of the Directors as mentioned under Provision 2.1 above.

Provision 4.5
Multiple Board Representations

The NC is of the view that it is inappropriate to set a limit on the number of listed company directorship that a Director may hold. This is because Directors have different capabilities, and the nature of the organisations in which they hold appointments and the kind of committees on which they serve are of different complexities. It would be better for each Director to personally determine the demand of his or her competing directorships and obligations and to assess the number of directorship they could hold and serve effectively.

The NC has considered the multiple directorships of some Directors, as shown on the Board of Directors section of the Annual Report. The NC has also considered the Directors' principal commitments and their contribution to the Board, the NC is satisfied that the Directors spent adequate time on the Company's affairs and have duly discharged their duties.

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors

Provisions 5.1 and 5.2
Conduct of Board Performance

- Evaluation of the Board

The NC reviews the Board's performance evaluation criteria and proposes to the Board a set of objective performance criteria that allows for comparison with industry peers and assess how long-term shareholder value is enhanced. Based on the recommendations of the NC, the Board has established processes for assessing the effectiveness of the Board as a whole, its Board Committees and the contribution by each individual Director to the effectiveness of the Board.

The performance criteria for Board evaluation focus on Board composition, maintenance of independence, Board information, Board process, Board accountability, communication with Management and standard of conduct.

In the course of the year, the NC had conducted the assessment via a questionnaire which is completed by each Director for the evaluation of the Board and Board Committees. The Company Secretary compiles Directors' responses into a consolidated summary report which was discussed at the NC meeting with a view to implement certain recommendations to further enhance the effectiveness of the Board.

The NC has reviewed the evaluations of the Board and is satisfied that the Board has been effective in the conduct of its duties and the directors have each contributed to the effectiveness of the Board.

- Evaluation of Individual Directors

Each individual Director is assessed on his knowledge of the Group's business and operations, business acumen, knowledge of corporate governance, contribution and engagement, communication and integrity.

Where a Director has multiple board representations, the NC will evaluate whether or not the Director is able to carry out and has been adequately carrying out his duties as a Director of the Company.

For the current year, the Board is satisfied that each Director has allocated sufficient time and resources to the affairs of the Company.

No external facilitator was used in the evaluation process.

REMUNERATION MATTERS
PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration

Provisions 6.1 and 6.2
Remuneration Committee

The RC comprises the following three members, all of whom including the Chairman are independent.

Mr Chan Siew Wei	Chairman	Independent and Non-Executive Director
Mr Ning Jin Cheng	Member	Independent and Non-Executive Director
Mr Lim Han Boon	Member	Independent and Non-Executive Director

The RC carried out their duties in accordance with the terms of reference which include the following:

(a) To recommend to the Board a framework for remuneration for the Directors and key executives management personnel of the Company;

(b) To determine specific remuneration packages for each Executive Director as well as key management personnel;

(c) To review the appropriateness of compensation for Non-Executive Directors;

(d) To review the remuneration of employees occupying managerial positions who are related to Directors and substantial shareholders; and

(e) To administer the Employee Share Option Scheme.

Provision 6.3
Review of remuneration

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits in-kind, will be covered by the RC. Each RC member will abstain from voting on any resolution in respect of his remuneration package. The recommendations of the RC will be submitted to the Board for endorsement.

The RC also reviews the company's obligations arising in the event of termination of service of the Executive Directors' and key management personnel. Each of the Executive Directors and key management personnel have an employment contract with the Company which can be terminated by either party giving notice of resignation/ termination. Each appointment is on an ongoing basis and no onerous or over-generous removal clauses are contained in the letter of employment.

The Company does not have any contractual provisions in the service agreements or employment contracts for the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel.

Provision 6.4
Engagement of remuneration consultants

The RC is provided access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company. For FY2019, the RC did not engage expert professional advice.

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company

Provision 7.1
Remuneration of Executive Directors and Key Management Personnel

In setting remuneration packages, the RC will take into consideration the prevailing economic situation, the remuneration and employment conditions within the similar industry and with comparable companies.

The Executive Directors have service contracts and they do not receive Directors' fees. They are paid a basic salary pursuant to their respective service agreements. Both the Executive Directors and key management personnel are paid a variable bonus which is determined annually based firstly on the Company's performance and secondly on the performance of the personnel which contributes to the Company's performance.

Executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance and it is aligned with the risk policies of the Company and interests of shareholders and promotes the long-term success of the company.

Provision 7.2
Remuneration of Non-Executive Directors

The Non-Executive Directors are Independent directors who have no service contract and are compensated based on their level of contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board Committees.

The performance of the Executive Directors (together with other key management personnel) is reviewed periodically by the RC and the Board. The Independent Directors receive Directors' fees in accordance with their level of contributions, taking into account factors such as effort and time spent, as well as the responsibilities and obligations of the Directors. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive and thereby maximise shareholders' value. Directors' fees are recommended by the Board for approval at the Company's AGM. Executive Directors do not receive Directors' fees but are remunerated as members of the management.

Each RC member will abstain from voting on any resolution in respect of his own remuneration package. The RC considers that the current fee structure adequately compensates the Non-Executive Directors, without over-compensating them as to compromise their independence.

The Company will submit the quantum of Directors' fee of each year to the shareholders for approval at each AGM.

Provision 7.3
Appropriate remuneration to attract, retain and motivate key management personnel and directors

The RC is satisfied that the remuneration structure of the Executive Directors and key management personnel as described under Provision 7.1 and that for the Non-Executive Directors as described under Provision 7.2 are appropriate to attract, retain and motivate the Directors to continue in their role as stewards of the Company and the key management personnel to contribute to the performance of the Group.

DISCLOSURE ON REMUNERATION

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation

Provision 8.1
Remuneration Report

Remuneration of Directors and the CEO

The Executive Directors who sit on the Board hold executive positions in the Group's China subsidiaries. There is no requirement for corporations in China to disclose the detailed remuneration of individual directors and executives. The disclosure in Singapore would affect the confidentiality of the Executive Directors' remuneration. The China subsidiaries would be put into a position of unequal treatment in governing the confidentiality of their employees' remuneration. Such executives who are on the Board would be disadvantaged unfairly. In addition, given the highly competitive conditions in the market place where poaching of executives is not uncommon, it is not in the interest of the Company to disclose the remuneration of individual Executive Directors. The Board is of the view that it would be disadvantages to the Group to detail the remuneration of the Executive Directors. Each of the Independent Directors' remuneration comprises wholly directors' fee of not more than S$250,000.

The following table shows a breakdown of the annual remuneration paid or payable to the Directors for the financial year ended 31 December 2019:

Remuneration band	Director's Fee	Salary	Bonus	Other benefits	Total
	%	%	%	%	%
Up to S$250,000					
Mr Guo Yinghui	–	89.3	7.4	3.3	100
Mr Li Bin (also CEO)	–	94.6	–	5.4	100
Ms Dong Lingling	–	91.8	6.3	1.9	100
Mr Lim Han Boon	100	–	–	–	100
Mr Ning Jin Cheng	100	–	–	–	100
Mr Chan Siew Wei	100	–	–	–	100

Remuneration of Key Executive Officers (who are not directors or CEO)

The following table shows the remuneration of the top 3 key executives for the financial year ended 31 December 2019:

Remuneration Band and Name	Salary	Bonus	Other benefits	Total
	%	%	%	%
Up to S$250,000				
Mr Ho Kok Weng	100	–	–	100
Mr Li Ji Gang	86.3	6.9	6.8	100
Ms Wu Yu	92.5	7.5	–	100

The key management of the Company only comprise 3 personnel, who are not Directors or the CEO, as disclosed in page 7 of the 2019 Annual Report. The aggregate total remuneration paid to the top three key management personnel, who are not Directors or the CEO, amounted to RMB 1,175,984 for FY2019.

Provision 8.2
Immediate Family Members of Substantial Shareholders, Directors or the CEO

There were no employees who were immediate family members of a Substantial Shareholder, Director and/or CEO whose remuneration is in excess of S$100,000 during the financial year ended 31 December 2019.

Provision 8.3
Employee Share Scheme

The Company does not have any share incentive schemes for its employees. The RC has reviewed and is satisfied that the existing remuneration structure of management personnel and executives paid out in cash would continue to be adequate in incentivising performance without being over-excessive. For other staff, the general preference is to be paid out in cash.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives

Provision 9.1
Risk Management and Internal Controls System

The Board reviews the Group's business and operational activities to identify areas of significant business risk as well as the measures in place to control and mitigate these risks within the Group's policies and business strategies. The risk assessment exercise also includes identifying and assessing key risk areas to the Group such as financial, operational, compliance and information technology risks based on the feedback by the Group's accounts department and External Auditors. The Board also oversees the Management in implementing the risk management and internal controls system. The Board is also responsible for governance of risk management, and determining the Company's levels of risk tolerance and risk policies. The Board consults with the external auditors and AC to determine the risk tolerance level and corresponding risk policies.

The Board recognised that the system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve business objectives and that no system of internal controls can provide absolute assurance against the occurrence of errors, poor judgment in decision making, losses, frauds or other irregularities. It can only provide reasonable and not absolute assurance against material misstatement of loss or that the Group will not be adversely affected by any event that can be reasonably foreseen.

The AC of the Company has undertaken the role of overseeing the governance of risks in the Group to ensure that the management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

The Group regularly conducts review on the adequacy and effectiveness of the key Group's material internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The review also covers the revenue and cash management; procurement; tenancy management; IT general controls; financial close process; human resource and payroll which was thereafter presented to the AC on any material findings.

As part of the external audit plan, the external auditors also reviewed and reported certain key accounting controls relating to financial reporting, covering only selected financial cycles and highlight material findings, if any, to the AC. The AC and the Board review all material findings and the effectiveness of the actions taken by the management on the recommendations made in this respect.

Provision 9.2
Assurance from CEO and CFO

The Board and the AC have received written assurance from the Executive Directors (including the CEO) and the Chief Financial Officer that:

(a) the financial records of the Group have been properly maintained and the financial statements for FY2019 give a true and fair view of the Group's operations and finances; and

(b) the risk management and internal control systems in place within the Group are adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Board's Comment on Adequacy and Effectiveness of Internal Controls

Pursuant to Rule 1207(10) of the Listing Manual, based on the review of the key risks identified, and the internal controls established and maintained by the Group, work performed by the external auditors, reviews performed by management, various Board committees and the Board, and the aforesaid assurances from the CEO and CFO, the Board is of the opinion that the Group's system of internal controls in addressing financial, operational, compliance and information technology controls and risk management systems were adequate and effective as at 31 December 2019. Based on its review of internal controls and assurances received from the Executive Directors and Chief Financial Officer, the AC concurred with the Board.

AUDIT COMMITTEE

PRINCIPLE 10: The Board has an Audit Committee which discharges its duties objectively

Provisions 10.1 and 10.2
AC Membership

As at the date of this report, the AC comprises three members, all of whom are independent directors:

Mr Lim Han Boon	Chairman	Independent and Non-Executive Director
Mr Ning Jin Cheng	Member	Independent and Non-Executive Director
Mr Chan Siew Wei	Member	Independent and Non-Executive Director

- Expertise of AC Members and AC to Keep Abreast of Changes to Accounting Standards

The Chairman of the AC, Mr Lim Han Boon is a fellow member of the Institute of Singapore Chartered Accountants. The other members of the AC have many years of experience in business management and finance services. The Board is satisfied that the members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions.

- Roles, Responsibilities and Authorities of AC

The AC functions under the terms of reference that sets out its responsibilities as follows:

(a) To review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their audit report, their management letter and the management's response;

(b) To review the co-operation given by the officers and staffs of the Group to the external auditors;

(c) To review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(d) To review the internal control and procedures and ensure co-ordination between the external auditors and the management, review the assistance given by management to the external auditors and discuss problems and concerns, if any arising from the interim and final audits, and any matters which the external auditors may wish to discuss (in the absence of management where necessary);

(e) To review and discuss, if any, with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

(f) To review the assurance from the CEO and the CFO on the financial records and financial statements;

(g) To review, at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;

(h) To consider and recommend the appointment or re-appointment of the external auditors and matters, if any, relating to the resignation or dismissal of the external auditors;

(i) To review, if any, interested person transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;

(j) To review, if any, potential conflicts of interest;

(k) To undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(l) To generally undertake such other functions and duties as may be required by the statute or the Listing Manual of the SGX-ST, or by such amendments as may be made thereto from time to time; and

(m) To review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised.

The external auditor has identified the KAMs and has set out the work it performs to ensure the accounting in respect of the KAMs are in accordance with accounting standards. The AC has considered the appropriateness of the external auditor's work and findings and concurs with the external auditor.

The AC has full access to and co-operation of the Management and has full discretion to invite any Director or executive officer to attend its meetings, and had been given reasonable resources to enable it to discharge its functions.

- Independence of External Auditors

The AC reviews the independence of the external auditors annually. The AC has reviewed the total fees comprising audit fee of S$110,000 (2018: S$130,000) and non-audit fees of S$nil (2017: S$nil) performed by the external auditors, Crowe Horwath First Trust LLP and was satisfied that the nature and extent of such services did not prejudice the independence and objectivity of the external auditors. The AC recommended that Crowe Horwath First Trust LLP be nominated for re-appointment as external auditors of the Company at the forthcoming AGM at remuneration to be renegotiated.

In appointing the auditors of Group companies, the AC is satisfied that the Company has complied with Rules 712, 715 and 716 of the Listing Manual in engaging Crowe Horwath First Trust LLP as the external auditors of the Company and other suitable audit firms for its Singapore incorporated subsidiary, foreign subsidiaries and associated companies. The names of these auditors are disclosed in the financial statements. The Board and the AC are satisfied that the appointment of different auditors for its subsidiaries and associated companies would not compromise the standard and effectiveness of the audit of the Group, and accordingly, Rule 716 of the Listing Rules has been complied with.

- Whistle-blowing Policy

The AC has adopted a Whistle Blowing Policy (the "Policy") for the Group, which provides a channel for employees and other parties to report in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The Policy is to assist the AC in managing allegations of fraud or other misconduct; disciplinary and civil actions that are initiated following the completion of the investigations are appropriate and fair; and actions are taken to correct the weakness in the existing system of internal processes which allow the perpetration of the fraud and/or misconduct and to prevent recurrence. All concerns can be reported to a designated email or phone number and the immediate supervisor will assess whether action or review is required by the Independent Directors to investigate complaints of suspected fraud in an objective manner and details of the Policy and arrangement is covered during staff orientation as part of the Group's efforts to promote fraud control awareness.

Provision 10.3
Partners or Directors of the Company's Auditing Firm

No former partner or director of the company's existing auditing firm or auditing corporation is a member of the AC.

Provision 10.4
Internal Audit Function

The Group did not engage any internal auditors for the financial year ended 31 December 2019. The Group's accounts department handles the internal audit function to review the internal controls, risk management and compliance systems of the Group and reports findings and makes recommendations directly to the Chairman of the AC on all internal audit matters and on administrative matters to the CEO.

The Company will outsource its internal audit function to an external consultancy firm as and when is needed. With the Group's pending acquisition for a new business still in progress and having regard to the scope and nature of the Company's current operations, the AC and the Board are of the opinion that the current system of internal controls in place is adequate to mitigate normal operational risks.

To ensure adequacy of the internal audit function, the AC meets regularly to review this function. The AC will also review the audit plans and findings of the external auditors and will ensure that the Group follows up on the auditors' recommendations raised, if any, during the audit process. The AC is generally satisfied with the independence, adequacy, and effectiveness of the current arrangement and will continue to assess its effectiveness regularly.

Provision 10.5
Meeting with External and Internal Auditors without Presence of Management

During the financial year under review, the AC has met with the external auditors without the presence of the Management at least once a year to review any area of audit concern. Ad-hoc AC meetings may be carried out from time to time, as circumstances required.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects

Provision 11.1
Providing Opportunity for Shareholders to Participate and Vote at General Meetings

The Company's AGMs are the principal forums for dialogue with shareholders.

The Company is governed by the Companies Law of Cayman Islands which recognizes only persons who hold shares registered in their names in the register of members ("registered members") as their members. The Central Depository (Pte) Limited ("CDP") is a registered member of the Company. Although the Depositors who hold the Company's shares via CDP are not registered members, they are accorded the rights of members to attend and vote at general meetings of the Company as CDP's proxies in the Company's Constitution, and also the right to appoint up sub-proxies to attend and vote in their stead. Shareholders (referring to registered members and Depositors) are encouraged to attend the AGMs and EGMs to ensure a high level of accountability and to stay apprised of the Group's strategy and goals. Every shareholder has the right to receive notice of general meetings and to vote thereat. Notice of a general meeting is sent out at least 14 days before the meeting so that sufficient notice of meeting is given to shareholders to attend the meeting or appoint proxies to attend and vote in their stead. Notice of the AGM and EGM will be advertised in newspapers and announced on SGXNET.

At the annual general meeting, shareholders are given the opportunities to express their views and ask the Board and management questions regarding the operations of the Company.

All resolutions at general meetings are put to vote by poll. Voting and vote tabulation procedures are disclosed at the general meetings. Votes cast for, or against, each resolution will be read out at shareholders immediately after vote tabulations. The total numbers of votes cast for or against the resolutions are also announced after the general meetings via SGXNET.

Provision 11.2
Separate Resolutions at General Meetings

The Company will have separate resolutions at general meetings on each distinct issue.

Provision 11.3
Attendance of Directors and auditors at general meetings

In 2019, the Company held one general meeting which was attended by most of the Directors.

The Directors, including the chairpersons of each of the Board Committees will be available at the meetings to address shareholders' queries. The external auditors shall also be present to assist the Directors in addressing any relevant queries by the shareholders.

Provision 11.4
Absentia voting

The Company's Constitution allows a shareholder, including a nominee company, who is unable to attend a meeting to appoint up to two proxies. The Company is governed by the Companies Law of the Cayman Islands which has no provision for nominee company to appoint more than two proxies. However as mentioned in Provision 11.1, Depositors who hold the Company's shares via CDP though not registered members, are accorded the rights of members to attend and vote at general meetings of the Company as CDP's proxies in the Company's Constitution, and if they are not able to attend a meeting, have the right to appoint up sub-proxies to attend and vote in their stead.

Provision 11.5
Minutes of general meetings

The Company prepares minutes of general meetings detailing the proceedings and questions raised by shareholders and answers given by the Board and Management. The minutes will be taken and published in the Company's corporate website at http://www.chinamining-international.com/.

Provision 11.6
Dividend Policy

For FY2019, no dividend was declared or recommended due to the performance of the Group. The Company does not have a policy on payment of dividend. The Board will consider the Group's level of cash and performance and projected capital expenditure and investments in proposing a dividend.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company

Provision 12.1
Avenues for communication between the Board and shareholders

The Company communicates with its shareholders and the investment community through the timely release of financial statements and announcements to the SGX-ST via SGXNET. Annual Reports are distributed to shareholders at least 14 days before each annual general meeting.

In accordance with the Listing Rules of the SGX-ST, the Board's policy is that all shareholders be informed on a timely basis of all major developments that impact the Group. The Company does not practice selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Listing Rules.

The Group supports and encourages active shareholder participation at general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the company website. The Company's Constitution allows the appointment of up to two proxies to attend general meetings and vote on their behalf.

Provisions 12.2 and 12.3
Investor Relations

The Company's investor relation policy is to communicate with its shareholders and the investment community through the timely release of announcements to the SGX-ST via SGXNET and to ensure equal dissemination of information to all shareholders and investors.

The Company's website allows shareholders, investors and the public to have access to information on the Group including the Company's announcements made to the SGX-ST on the Company's website at http://www.chinamining-international.com/.

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served

Provisions 13.1 and 13.2
Engage with its material stakeholder groups

The Group's material stakeholders are its shareholders, customers, employees, business partners and the community and the Company engages with them through its sustainability initiatives as set out in its Sustainability Report for FY2019 in this Annual Report. Please refer to the Sustainability Report for details.

Provision 13.3
Corporate website to communicate and engage with stakeholders

The Group maintains a corporate website at http://www.chinamining-international.com/ which stakeholders can access information on the Group. The website provides, inter alia, corporate announcements, press releases and profiles of the Group.

OTHER CORPORATE GOVERNANCE MATTERS

INTERESTED PERSONS TRANSACTIONS

When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The Company has established reviews and approval procedures to ensure that interested person transactions entered into by the Group are conducted on normal terms and are not prejudicial to the interest of the shareholders. The Board meets quarterly to review if the Company will be entering into any interested person transaction.

The AC has reviewed the rationale and terms of the Group's interested person transactions and is of the view that the interested person transactions are on normal commercial terms and are not prejudicial to the interests of the shareholders.

Disclosure of interested person transactions is set out as follows:

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions conducted (excluding transactions less than $100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Nil	Nil	Nil	Nil

DEALINGS IN SECURITIES

The Company has in place a policy prohibiting share dealings by Directors and employees of the Company for the period of two weeks before the announcement of the Company’s financial statements for the first three quarters of its financial year and one month before the announcement of its full year financial statements for FY2019. With the adoption of half yearly reporting of the financial statements from FY2020 as announced on 13 February 2020, all Directors and employees of the Group are prohibited from dealing in the Company’s securities one month before and up to the release of the half year and full year financial statements.

Directors and employees who are in possession of unpublished material price-sensitive or trade-sensitive information of the Group should not deal in the Company’s securities. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

1. SCOPE OF THE REPORT

Our sustainability report covers data and the relevant business activities of China Mining International Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2019 ("FY2019"). The relevant business activities of the Group for FY2019 relate to property development in China, mining investments in China and South Africa as well as the conduct of an administrative office in Singapore.

The sustainability issues facing the Group since its first sustainability report published previously in 2018 have remained unchanged. The Group is still seeking to diversify its existing core business to include a more sustainable one, such as the agricultural business which it is in the midst of pursuing. Until a more sustainable business is eventually being carried out by the Group, a more comprehensive sustainability report with the inclusion of the setting of the necessary key performance indexes will be provided by the Group.

This report is prepared in accordance with the guidelines under the Global Reporting Initiative ("GRI") G4 Core Option.

2. BOARD'S STATEMENT

The Board of Directors of the Company (the "Board") recognises that a focus on sustainability helps the organisation manages its environmental, social and governance practices ("ESG") and improves its operating efficiency and natural resource stewardship and remains a vital component of shareholder, employee, and stakeholder relations.

The Board and the management are committed to be a responsible corporate citizen in continuing its overall strategy to build on strong foundations and pursue its policy of quality and efficiency for sustainable growth. Through this report, we will continue to improve our data collection process and make enhancements to our sustainability efforts for the forthcoming years.

3. STAKEHOLDERS' ENGAGEMENT

Gaining our stakeholders' trust and support is fundamental to us building a sustainable business. Stakeholders' engagement is based on an ongoing dialogue that embraces different points of view and allows those views to facilitate informed decision making. This in turn will help the Company to improve and provide a more sustainable decision making process and identify any risks and opportunities for the businesses of the Group.

Key Stakeholders	Communication Approach	Key Priorities
Shareholders	● Annual general meetings ● Extraordinary general meetings ● Quarterly and full year announcements ● SGX announcements ● Press release	● Shareholders' return ● Accuracy and timeliness of disclosure ● Key developments ● Financial results

Key Stakeholders	Communication Approach	Key Priorities
Employees	● Management meetings ● Internet, news, emails, phone calls ● Social media (i.e. WeChat) ● Seminars, conferences, forums	● Career development ● Employee welfare ● Complaint processing ● Wages ● Health & safety
Regulatory	● Emails, internet, news, phone calls ● Participate in discussions on formulation of policies, regulations and standards ● Attend seminars and forums ● Roundtable discussions ● Briefing and consultations	● Compliance ● Corporate governance ● Timely disclosure ● Protecting the interest of minority shareholders ● Policies and regulatory update and educations ● Timely submission of corporate documents and annual filings
Customers	● Promotion events ● Road-shows ● Newspapers, internet and social media ● Points of sales ● Customers feedback	● Quality of products ● Product knowledge ● Customer satisfaction ● Complaint processing
Business partners	● Contract negotiations ● Regular conferences ● High level meetings ● Routine operation communications	● Fair and ethical business conduct ● Profit sharing ● Project development plans ● Budgets & funding
Suppliers	● Contract negotiations ● Round-table discussions ● Routine communications	● Products & pricing ● Service & product quality ● Timely supply & payment ● Complaint processing

4. MATERIALITY ASSESSMENT

The Board and management identify the material ESG factors by taking into consideration of the relevance of such factors to the business, strategy, business model and key stakeholders of the Group as guided by the GRI reporting framework. The review on material issues will be conducted annually as materiality may evolve over time.

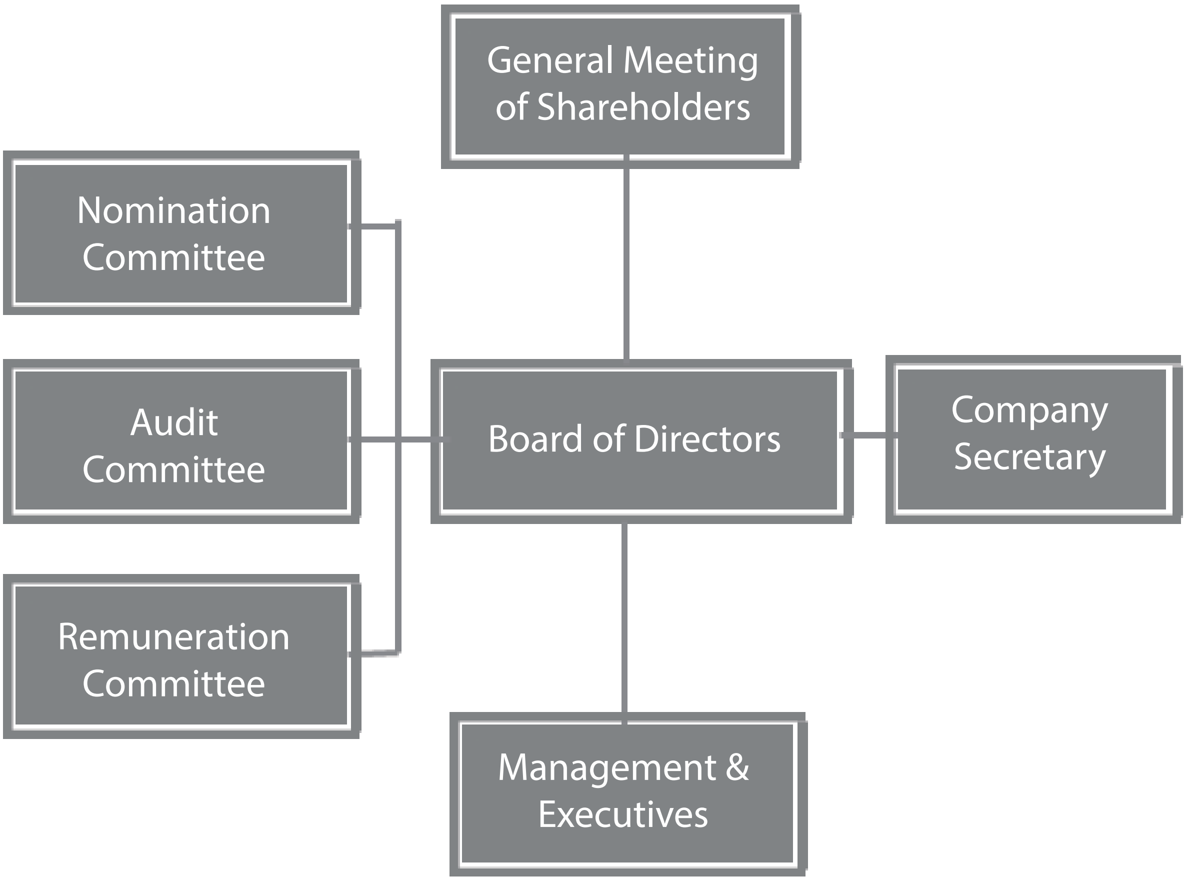
The key material ESG issues that are important to our prevailing business and stakeholders are identified and outlined as follows:

Material ESG Factor	Scope of focus
Governance & Risk Management	● Compliance risks ● Corporate governance practices ● Code of conduct and ethics ● Anti-corruption and bribery ● Whistle-blowing policy

Material ESG Factor	Scope of focus
Environment	● Improve energy efficiency ● Make efforts to reduce negative environmental impacts due to operations ● Reduce air pollution ● Waste management
Employees	● Improve employment management system ● Provide employees with equal opportunities ● Provide a healthy and safe working environment ● Provide career development opportunities
Economic Performance	● Financial performance of the Company

4.1 MATERIAL FACTOR – GOVERNANCE AND RISK MANAGEMENT

Believing in the importance of practicing good corporate governance, which is expected to enable the achievement of sustainability targets, enhance of shareholders' value and contribute to the growth of the Group, the Board is committed to uphold a high standard of corporate governance. The Board established its corporate governance structure in accordance with the framework of rules and practices set out by the Singapore Code of Corporate Governance issued by the Monetary Authority of Singapore (the "Code").



4.1.1 COMPLIANCE RISKS

The two key compliance risks facing the Group relate to the corporate governance and geo-political risks.

The Board is responsible for ensuring that the Company has a proper decision-making framework to mitigate the risks of oversight on corporate governance.

In mitigating the geo-political risks in an overseas operation or acquisition, the Company will engage external professionals, including but not limited to lawyers, auditors, industry experts and valuation company, to review and conduct due-diligence on the acquisition target / operation to ensure compliance with the relevant laws and regulations of the respective countries concerned. The terms and conditions of such contractual agreements will be prepared by the lawyers and reviewed by the Board and management prior to acceptance to ensure adherence to internal policies, applicable laws and regulations. In respect of investment in mining assets, the Board will also engage qualified professional firms acceptable by the SGX to issue the relevant geological report and valuation report.

The Group also tracks regulatory developments on a regular basis to ensure that it stays current of such developments and is in compliance with the local laws, standards and / or requirements issued by the relevant local authorities that are applicable to our investment.

The Company Secretary of the Group advises the Board on the latest update in legal and regulatory issues, especially on the Code. Our Cayman Islands' Counsel advises the Board the latest update on the Company Law of Cayman Islands in ensuring the timely submission for the relevant annual filings.

During FY2019, there was no report of fine on any violation of compliance. The Group will continue to work closely with various professional firms and improve its internal corporate governance framework. The Board targets to maintain such zero record on fine.

4.1.2 BOARD OF DIRECTORS

The Board, the highest governing body within the Group, is responsible to help set broad corporation goals, support executive duties and ensure that the Company has adequate, well-managed resources at its disposal in dealing with challenges and issues relating to corporate governance, ESG issues, corporate ethics and risk management.

The Board is appointed to act on behalf of the shareholders of the Company to run the day-to-day business affairs of the Group. The Board is directly accountable to the shareholders of the Company, which will hold an annual general meeting (AGM) every year at which the Board must provide a report to the shareholders on the performance of the Group, its future plans and strategies and have its members submit themselves for re-election to the Board on a rotation basis.

The Board has a total of six Directors, comprising three Executive Directors and three Independent Directors. The Board recognises the merits of gender diversity in relation to the composition of the Board and, in identifying candidates for new appointment to the Board, would consider suitable female candidates. The current Board has 1 female Director out of a total of 6 Directors on the Board.

The Board meet at least four times a year to review and approve the financial results of the Group as well as receive key reports from the senior management and professionals, such as the external auditors and the Company Secretary. Board meetings are also held outside of the routine quarterly meetings to discuss strategies, policies or key activities such as acquisitions or disposals. Please refer to the Corporate Governance Report for further information on the activities of the Board of Directors.

4.1.3 AUDIT COMMITTEE

The Audit Committee ("AC") oversees the financial reporting process, the effectiveness of the Company's internal control and risk management systems, the internal audit, the statutory reporting of the annual report and the external auditor's independence. In FY2019, the AC has three members, all of whom are Independent Directors with two of them residing in Singapore.

The AC meets at least four times a year preceding the Board meetings to review and approve the financial results of the Group and discuss any significant development with the Board. As and when needed, the AC also holds meetings outside the regular quarterly meetings to discuss, among its members and other relevant third parties, on matters including but not limited to key issues brought up by external auditors and other professionals. Please refer to the Corporate Governance Report for further information on the activities of the AC.

4.1.4 REMUNERATION AND NOMINATION COMMITTEE

The Remuneration Committee ("RC") makes proposals to the Board regarding the remuneration policy as well as the individual remuneration of the Directors and members of the senior management while the Nomination Committee ("NC") makes proposals regarding the evaluation and (re-)appointment of Directors.

The Remuneration Committee has three members, all of whom are Independent Directors. The Nominating Committee also has three members, comprising two Independent Directors and one Executive Director. The Remuneration Committee and Nomination Committee meet at least once a year to discuss and recommend the Directors' fee and the composition of the Board members. They may also meet outside the regular meetings as and when the need arises. Please refer to the Corporate Governance Report for further information on the activities of the Board of the RC and NC.

4.1.5 EXTERNAL AUDITOR

The Company has entrusted the external audit of the consolidated accounts of the Group to a professional audit firm registered with the Accounting and Corporate Regulatory Authority of Singapore ("ACRA"). The external auditor conducts such audits in accordance with the International Standards on Auditing ("ISA") and delivers a report which confirms whether the annual accounts and the consolidated financial statements of the Company reflect a true image of its assets, financial condition and results of the Company in accordance with International Financial Reporting Standards ("IFRS"). The AC investigates and discusses the Key Audit Matters ("KAM") set out in the annual report and any material internal audit issues with the external auditor and with the Board.

4.1.6 CODE OF CONDUCT AND ETHICS FOR EMPLOYEE

The Group's Code of Conduct and Ethics (the "CCE") sets out the highest standards of personal and corporate integrity when dealing with fellow colleagues, external suppliers, customers and government agencies, and serves as a guide to all employees for both legal compliance and appropriate ethical conduct to ensure that decision making is ethically and properly carried out in accordance to the best practices of the Group. The CCE also covers workplace health and safety issues, workplace and business conduct, safeguards of the Group's assets and handling of confidentiality information, conflicts of interest, and compliance with laws and regulations, including whistle blowing policy.

4.1.7 ANTI-CORRUPTION AND BRIBERY

The Board upholds the high standards of ethical business conduct through stepped up promotion in increasing the awareness of anti-corruption and bribery practice within the Group. All employees within the Group are made aware of the serious consequences involving any corruptions or bribery violations.

In addition, the Board is required to declare information on potential conflicts of interest on an annual basis. During FY2019, there was no report of any corruption or legal actions for bribery case within our Group. We will continue to educate and improve the awareness on such issues among the employees. The Board targets to maintain the zero report on corruption and bribery.

4.1.8 WHISTLE-BLOWING POLICY

The Board is committed to conduct its business in a manner that is lawful and ethically responsible and in a way that reflects the Company's values. The Company does not tolerate any unlawful and unethical activity and vows to take appropriate action to ensure compliance with law and safeguarding the interest of all stakeholders.

The Board has implemented whistle-blowing procedures, for the purposes of handling complaints or raising concerns or issues relating to activities or affairs relating to the conduct of any employee, officer or management of the Group on ethical and unlawful behavior and matters related to organizational integrity, via email or phone with direct connection to the Chairman of the AC.

The AC will enquire on matters relating to whistle-blowing and, if any, discuss with the Board at least four times a year during the AC meetings. During FY2019, there were no complaints, concerns or issues relating to whistle-blowing matter within our Group.

4.2 MATERIAL FACTOR – ENVIRONMENT

We conduct our business in a manner that respects the environment whenever possible so as to minimise the Group's environment impact while balancing our business needs. The Company exercises a precautionary approach in managing its environmental impact.

The Group constantly reminds the employees to ensure that they understand and contribute to overall waste management efforts to conserve and reduce resources used in our operations, mainly on electricity, water, papers and renovation materials. In this regard, the Group has minimized the disposal of old furniture by keeping most of the existing furniture when we moved to our new office premises last year. We also made a conscious effort in using environmental friendly materials for the renovation.

As part of our energy conservation efforts, we use energy saving photocopiers and energy-efficient air-conditioner units at our workplace, and encourage employees to turn-off their computers or laptops and the lights during lunch breaks or when no one is using them. We also urge our employees to constantly modify the temperature on the air-conditioner according to the seasons and turn-off when not in use. During FY2019, our electricity consumption was 1,288 kWh per employee per annum. We will continue to monitor and target to reduce the current consumption in the forthcoming years.

Under the paper-saving initiatives, we encourage our employees to utilise emails, social media or internet to transfer insensitive files or documents to reduce printing, and if printing is required, to print it in a tone-saving mode and purchase papers with recycle content or from a sustainable source. We also inform our service providers to email us electronic invoices instead of through mails and couriers.

Our environmental management is an on-going effort, and we will continue to improve ourselves through constantly monitoring the effectiveness of the Group's policies as we work towards achieving a greener footprint. During FY2019, there was no fine or sanction for non-compliance with environmental laws and regulations reported within our Group.

4.3 MATERIAL FACTOR – EMPLOYEES

The Group currently employs 47 employees and recognises that they are our most valuable assets and the key to achieving our long-term business success. We endeavour to create a "zero-injury and accident-free" working environment aimed at promoting a healthy work environment and improving safety in general work conditions. The overall well-being of employees is one of our development priorities. We strive to create a working environment of inclusion, equality and mutual trust as well as a working setting promoting health and safety. We seek to protect employees' rights, care for their well-being and provide a career development platform.

4.3.1 WORKPLACE AND STAFF WELFARE

We have adopted initiatives in creating an engaging and holistic working environment where our employees are able to deliver their best works and also being offered equal opportunities for personal and career developments. These initiatives not only serve to retain our employees but also attract talents to the Group.

We practise fair employment and do not condone any form of discrimination against employees. We also do not tolerate the use of forced or child labour, including bonded labour, indentured labour, slave labour or human trafficking, and the hiring of underage employees. Our human rights management is overseen by the Head of Human Resources and Administration Department, who reports to the Chairman of the Board and makes sure that we adhere to all applicable laws and regulations regarding child and forced labour. During FY2019, there was neither any case of child or forced labour incident or was there any incident of discrimination reported within our Group.

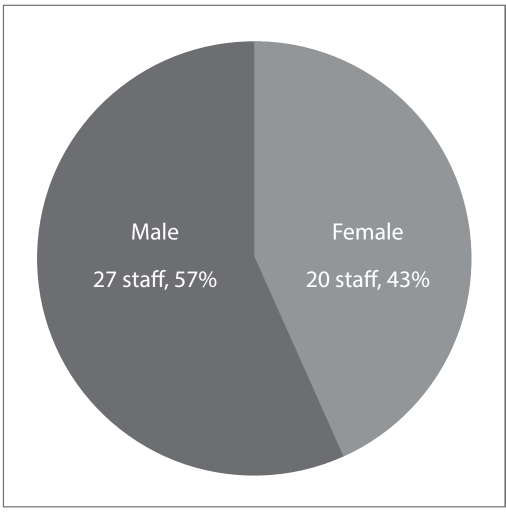
We support work life balance and encourage our employees to balance meaningful careers with their health and family time. The Group also encourages our employees to keep fit and healthy through sporting and recreational activities. These activities allow employees to build up teamwork and enhance the bonding with their colleagues.

During FY2019, there were no reports of any work related injury and accident or any workers with high incidence or high risk of diseases related to their job occupation within our Group. The Group targets to continue to maintain a zero rate of work related injury and accident record.

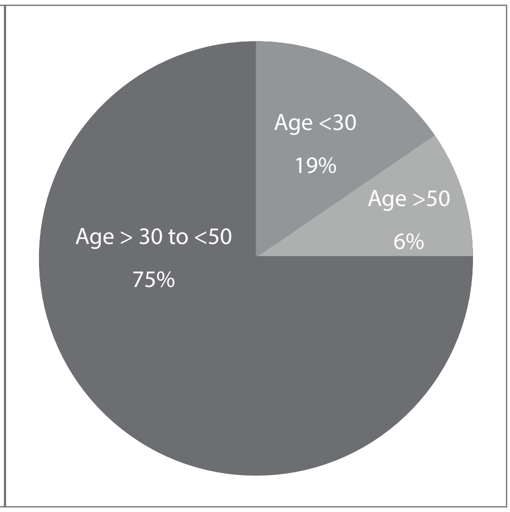
4.3.2 DIVERSITY AND EQUAL OPPORTUNITY

The Group promotes diversity in the workplace and takes steps to ensure that our employees feel included, regardless of their gender, ethnic or nationality, sexual orientation, race, age or religion. We strive to create a working environment free from discrimination of any person for any reason and also provide an equal opportunity to all employees. We seek to ensure that all our staff are evaluated on the basis of personal skills and merits and target to maintain, if not improve, the current diversity of male and female ratio within our Group.

Employee by Gender



Employee by Age Group



4.4 MATERIAL FACTOR – ECONOMIC PERFORMANCE

Please refer to page 2 of the Group's 2019 Annual Report for the Financial Review and page 3 of the Group's 2019 Annual Report for the Operation Review.

The directors present their statement to the members together with the audited financial statements of China Mining International Limited (the "Company") and subsidiaries (the "Group") for the financial year ended 31 December 2019 and the statement of financial position and the statement of changes in equity of the Company as at 31 December 2019.

In the opinion of the directors,

(a) the statement of financial position and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 46 to 118 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors of the Company in office at the date of this statement are as follows:

Guo Ying Hui	Chairman and Executive Director
Li Bin	Chief Executive Officer and Executive Director
Dong Ling Ling	Executive Director
Lim Han Boon	Independent Director
Ning Jin Cheng	Independent Director
Chan Siew Wei	Independent Director

Directors' interests in shares or debentures

According to the register kept by the Company, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Direct interests		Deemed interests	
	At 1 January 2019	**At 31 December 2019**	**At 1 January 2019**	**At 31 December 2019**
Company				
Ordinary shares of S$0.008 each				
Guo Ying Hui	17,985,000	17,985,000	32,240,000(i)	32,240,000(i)
Li Bin	730,100(ii)	730,100(ii)	–	–
Dong Ling Ling	554,900(ii)	554,900(ii)	–	–

Notes:

(i) Mr Guo Ying Hui is deemed to be interested in the 14,560,000 (2018: 14,560,000) shares held by his spouse, Mdm Feng Li and the 17,680,000 (2018: 17,680,000) shares held by China Focus International Limited ("China Focus"). China Focus is an investment company incorporated in the British Virgin Islands, Mr Guo Ying Hui is one of the directors, and its shares are fully owned by himself.

(ii) The shares of Mr Li Bin and Ms Dong Ling Ling are registered in the name of Philip Securities Pte Ltd.

Directors' interests in shares or debentures (continued)

Mr Guo Ying Hui is deemed to have interests in the Company and in the whole of the share capital of the Company's wholly-owned subsidiaries.

The Directors' interests in the ordinary shares of the Company at 21 January 2020 were the same at 31 December 2019.

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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.

Share options

During the financial year, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries. There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

Audit committee

The members of the Audit Committee at the end of the financial year are as follows:

Lim Han Boon (Chairman)	Independent Director
Ning Jin Cheng	Independent Director
Chan Siew Wei	Independent Director

The Audit Committee carried out its functions in accordance with the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:

- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the audit;

- the assistance given by the Company's management to the independent auditors;

- the periodic results announcements prior to their submission to the Board for approval;

- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 prior to their submission to the Board of Directors, as well as the independent auditor's report on the statement of financial position of the Company and the consolidated financial statements of the Group; and

- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

Audit committee (Continued)

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company and its subsidiaries, the Company has complied with Rules 712, 715 and 716 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Further details regarding the Audit Committee are disclosed in the Report of Corporate Governance.

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

LI BIN
Chief Executive Officer and Executive Director

DONG LING LING
Executive Director

14 April 2020

INDEPENDENT AUDITOR'S REPORT

To the members of China Mining International Limited

Crowe Horwath First Trust LLP

8 Shenton Way
#05-01 AXA Tower
Singapore 068811
Main +65 6221 0338
Fax +65 6221 1080
www.crowe.sg

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of China Mining International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 118, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 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 of the Group and statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. The audit matter identified was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matters (Continued)

<table>
<tr><td colspan="2">Valuation of the investment in the equity interest in Sino Feng
Refer to the following notes to the financial statements
Note 11 "Financial assets, at fair value through other comprehensive income (FVOCI)"
Note 3(i)(a) "Critical accounting estimates and assumptions"</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Company has investment in unquoted equity of RMB 70,332,000 at fair value (2018: RMB 78,108,000, at cost) as at 31 December 2019, which has represented 54% (2018: 49%) of total assets of the Group.

Management engaged an external valuer to perform a valuation of the mining project underlying the investment in Sino Feng Mining International S.àr.l. ("Sino Feng") to determine the fair value of this equity investment. The valuation process involved significant judgement in estimating future cash flows, especially of the iron ore selling price, license renewal period, discount rate, capital expenditure, etc. Due to the high level of judgement required and the presence of significant estimation uncertainty involved, this has been identified as a Key Audit Matter.</td><td>Our audit procedures included, amongst others:

● Considered the appropriateness of the valuation methodology and tested the information used by management and the external valuer.

● Reviewed the key assumptions underlying the projected cash flows, including the projected iron ore selling price, license renewal period, discount rate, capital expenditure, and considered external and internal factors.

● Engaged our internal valuation specialists to assist in the review of the variables and outcomes in the valuation report of the mining project underlying the investment, including challenging the valuation methods, testing the mathematical accuracy of the discounted cash flows model, assessing the reasonableness of the key assumptions used and comparing against available market comparatives.

● Evaluated the sensitivity of the key assumptions by considering downside scenarios against reasonably plausible changes to the key assumptions and challenged management's fair value assessment on the investment in accordance with the requirements of IFRS 13; and

● Evaluated the adequacy and appropriateness of the relevant disclosures in relation to the judgement and valuation techniques used to determine the fair value of the equity investment.

Based on the results of our audit procedures performed, we found the key assumptions underlying the valuation of the investment in the equity interest applied by the Group to be appropriate and the fair value measurement of the investment were appropriate and reasonable.

We also considered the disclosures in the consolidated financial statements to be appropriate.</td></tr>
</table>

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

- Conclude on the appropriateness of management's 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tan Teck Zhen.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

14 April 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB"))

	Note	Group			Company	
		31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2019 RMB'000	31 December 2018 RMB'000
			(Restated) (Note 3)	(Restated) (Note 3)		
ASSETS						
Non-current assets						
Property, plant and equipment	6	1,141	4,364	3,648	8	10
Rights-of-use assets	7	–	–	–	–	–
Land use rights	8	45	47	49	–	–
Subsidiaries	9	–	–	–	128,200	128,200
Joint ventures	10	–	–	–	–	–
Available-for-sale financial asset (non-current)		–	–	70,431	–	–
Financial assets, at FVOCI	11	70,332	78,108	–	70,332	78,108
Deferred tax assets	22	1,302	1,147	1,789	–	–
		72,820	83,666	75,917	198,540	206,318
Current assets						
Available-for-sale financial asset (current)		–	–	31,050	–	–
Financial assets, at FVPL	12	2,740	16,200	–	–	–
Completed properties for sale	13	11,704	17,402	59,353	–	–
Other receivables, deposits and prepayments	14	12,313	13,031	4,112	115	–
Amounts due from related parties (non-trade)	16	–	–	471	–	–
Amounts due from joint ventures (non-trade)	17	–	2,645	3,606	–	–
Income tax recoverable		–	69	69	–	–
Pledged bank deposits	19, 36(i)	1,133	1,857	5,308	–	–
Cash and cash equivalents	20	29,159	25,824	15,675	920	4,284
		57,049	77,028	119,644	1,035	4,284
TOTAL ASSETS		129,869	160,694	195,561	199,575	210,602

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB"))

	Note	Group			Company	
		31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated) (Note 3)	1 January 2018 RMB'000 (Restated) (Note 3)	31 December 2019 RMB'000	31 December 2018 RMB'000
LIABILITIES						
Current liabilities						
Trade payables		2,544	2,872	11,564	–	–
Contract liabilities	29(b)	57	1,973	43,199	–	–
Accruals and other payables	21	21,575	18,107	11,137	499	1,134
Amounts due to subsidiaries (non-trade)	15	–	–	–	124,943	124,065
Amounts due to a related party (non-trade)	16	–	520	520	–	520
Amounts due to joint ventures (non-trade)	17	–	1,434	2,669	–	–
Amounts due to joint ventures partner (non-trade)	18	–	11	11	–	–
Lease liabilities	23	827	–	–	–	–
Income tax payable		3,039	3,252	2,604	–	–
		28,042	28,169	71,704	125,442	125,719
Non-current liabilities						
Lease liabilities	23	459	–	–	–	–
TOTAL LIABILITIES		28,501	28,169	71,704	125,442	125,719
NET ASSETS		101,368	132,525	123,857	74,133	84,883
EQUITY						
Capital and reserves attributable to equity holders of the Company						
Issued capital	24	5,897	5,897	5,897	5,897	5,897
Share premium	25	224,594	224,594	224,594	224,594	224,594
Treasury shares	26	(18)	(18)	(18)	(18)	(18)
Distributable reserve	27	267,600	267,600	267,600	267,600	267,600
Capital reserve		49,031	49,031	49,031	–	–
Fair value (deficit) / reserve	28	(99)	7,677	–	(99)	7,677
Accumulated losses		(445,637)	(422,256)	(423,247)	(423,841)	(420,867)
TOTAL EQUITY		101,368	132,525	123,857	74,133	84,883

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB"))

	Note	2019 RMB'000	2018 RMB'000 (Reclassified) Note 38
Revenue from contracts with customers	29(a)	5,030	41,597
Cost of sales		(3,659)	(20,696)
Gross profit		1,371	20,901
Share of losses of joint ventures	10	(35)	(853)
Selling and distribution expenses		(45)	(2,188)
General and administrative expenses		(23,378)	(19,554)
Written-back of impairment of financial assets, net	4(ii)	1,809	2,565
Other income	30	1,676	4,298
Other expenses	31	(4,977)	(33)
Finance income	32	382	44
Finance costs – interest on lease liabilities		(140)	–
(Loss) / Profit before tax	33	(23,337)	5,180
Tax expense	34	(44)	(6,098)
Loss for the year		(23,381)	(918)
Other comprehensive loss, net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Equity investment at FVOCI - net change in fair value	11	(7,776)	(10,914)
Total comprehensive loss for the year		(31,157)	(11,832)
Loss attributable to:			
Equity holders of the Company		(23,381)	(918)
Total comprehensive loss attributable to:			
Equity holders of the Company		(31,157)	(11,832)
Loss per share (RMB cents)			
- Basic and diluted	35	(15.94)	(0.63)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB"))

Group	Attributable to equity holders of the Company							
	Issued capital	Share premium	Treasury shares	Distributable reserve	Capital reserve [(i)]	Fair value reserve / (deficit)	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1.1.2018, as previously stated	5,897	224,594	(18)	267,600	49,031	–	(457,763)	89,341
Impact of adopting IFRIC 23 (Note 3)	–	–	–	–	–	–	34,516	34,516
Balance at 1.1.2018, restated	5,897	224,594	(18)	267,600	49,031	–	(423,247)	123,857
Impact of adopting IFRS 15	–	–	–	–	–	–	2,380	2,380
Impact of adopting IFRS 9	–	–	–	–	–	18,591	(471)	18,120
Balance at 1.1.2018, adjusted	5,897	224,594	(18)	267,600	49,031	18,591	(421,338)	144,357
Loss for the year	–	–	–	–	–	–	(918)	(918)
Other comprehensive loss, net of tax:								
Equity investment at FVOCI - net change in fair value	–	–	–	–	–	(10,914)	–	(10,914)
Balance at 31.12.2018 and 1.1.2019	5,897	224,594	(18)	267,600	49,031	7,677	(422,256)	132,525
Loss for the year	–	–	–	–	–	–	(23,381)	(23,381)
Other comprehensive loss, net of tax:								
Equity investment at FVOCI - net change in fair value	–	–	–	–	–	(7,776)	–	(7,776)
Balance at 31.12.2019	5,897	224,594	(18)	267,600	49,031	(99)	(445,637)	101,368

Note:

(i) Capital reserve relates to capitalisation of amount due to a director and substantial shareholder of a subsidiary in previous years. It is not distributable as dividends.

Company	Attributable to equity holders of the Company						
	Issued capital	Share premium	Treasury shares	Distributable reserve	Fair value reserve / (deficit)	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1.1.2018	5,897	224,594	(18)	267,600	–	(415,873)	82,200
Impact of adopting IFRS 9	–	–	–	–	18,591	(471)	18,120
Balance at 1.1.2018, adjusted	5,897	224,594	(18)	267,600	18,591	(416,344)	100,320
Loss for the year	–	–	–	–	–	(4,523)	(4,523)
Other comprehensive loss, net of tax:							
Equity investment at FVOCI - net change in fair value	–	–	–	–	(10,914)	–	(10,914)
Balance at 31.12.2018	5,897	224,594	(18)	267,600	7,677	(420,867)	84,883
Balance at 1.1.2019	5,897	224,594	(18)	267,600	7,677	(420,867)	84,883
Loss for the year	–	–	–	–	–	(2,974)	(2,974)
Other comprehensive loss, net of tax:							
Equity investment at FVOCI - net change in fair value	–	–	–	–	(7,776)	–	(7,776)
Balance at 31.12.2019	5,897	224,594	(18)	267,600	(99)	(423,841)	74,133

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB"))

	Note	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
(Loss) / Profit before tax		(23,337)	5,180
Adjustments:			
Depreciation of property, plant and equipment	6	2,099	1,849
Depreciation of right-of-use assets	7	810	–
Amortisation of land use rights	8	2	2
Gain on disposal of joint ventures	10	(500)	–
Exchange difference		69	147
Impairment loss of property, plant and equipment	6, 31	1,689	–
Impairment loss of right-of-use assets	7, 31	1,240	–
Impairment loss of completed properties for sale, net	13	2,040	–
Write-back of impairment on completed properties for sale, net	13	–	(256)
Reversal of allowance for impairment of amounts due from joint ventures	17	(1,817)	–
Impairment loss of amounts due from related parties	31	8	24
Interest expense		140	–
Interest income	32	(382)	(44)
(Gain) / Loss on disposal of property, plant and equipment	30	(280)	26
Share of losses of joint ventures	10	35	853
Fair value gain on financial assets, at FVPL	12	(647)	(1,558)
Operating (loss) / profit before working capital changes		(18,831)	6,223
Completed properties for sale		3,658	24,897
Other receivables, deposits and prepayments		254	1,028
Pledged bank deposits		724	3,451
Trade payables		(328)	(8,692)
Contract liabilities		(1,916)	(18,967)
Accruals and other payables		3,462	5,741
Repayment to a related party	5	(520)	–
Cash (used in) / generated from operations		(13,497)	13,681
Income tax paid		(343)	(6,237)
Net cash (used in) / from operating activities		(13,840)	7,444

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB"))

	Note	2019 RMB'000	2018 RMB'000
Cash flows from investing activities			
Repayment from / (Advances to) joint ventures	5	2,993	(1,127)
Repayment to joint ventures partner	5	(11)	–
Loan to a third party	5	(12,000)	–
Repayment from a third party		12,000	–
Interest received		382	44
Addition of financial assets, at FVPL	12	(146,200)	(271,820)
Redemption of financial assets, at FVPL	12	160,307	288,228
Purchase of property, plant and equipment		(641)	(2,591)
Proceeds from disposal of property, plant and equipment		356	–
Proceeds from disposal of joint ventures		500	–
Payment made to purchase of office premise		–	(10,000)
Net cash from investing activities		17,686	2,734
Cash flows from financing activities			
Repayment of interest		(140)	–
Repayment of lease liabilities	23	(301)	–
Net cash used in financing activities		(441)	–
Net increase in cash and cash equivalents		3,405	10,178
Cash and cash equivalents at beginning of year		25,824	15,675
Exchange difference on cash and cash equivalents		(70)	(29)
Cash and cash equivalents at end of year	20	29,159	25,824

The accompanying notes are an integral part of the financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

China Mining International Limited (the "Company") is a limited liability company domiciled and incorporated in Cayman Islands and is listed on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of the Company's registered office is Coyners Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is at China Henan Province, Zheng Zhou City, Jin Shui District, Intersection of Zhong Wang Road and Zheng Guang North Street, Zhong Chuang Building 6 Floor Unit 605, Henan 450000.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in Note 9. There have been no significant changes in the nature of these activities during the financial year.

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 14 April 2020.

2. PROPOSED DIVERSIFICATION OF THE EXISTING CORE BUSINESS

The Group is currently engaged in the business of investment holding and property development as well as the exploration and mining of mineral resources (the "Existing Core Business").

As announced by the Company on 1 August 2019 and 11 November 2019, with regard to the proposed acquisition of 63.11% of the registered capital of Henan Zhongnong Huasheng Agricultural Science and Technology Co. Ltd. (河南中农华盛农业科技有限公司) (the "Target") from Zhongnong Huasheng (Beijing) Agricultural Development Investment Co., Ltd (中农华盛(北京)农业发展投资有限公司) (the "Seller"), a company controlled by the Chairman of the Company (the "Proposed Acquisition"), while discussions and negotiations between the Company and the Seller are still ongoing, the Proposed Acquisition is expected to be further delayed and may be complicated by the current severe COVID-19 outbreak in China.

The Company was placed on the watch-list under the minimum trading price ("MTP") entry criteria pursuant to Rule 1311(2) of the Listing Manual (the "Listing Manual") of SGX-ST from 6 June 2019. The Company must take active steps to meet the requirements of Listing Rule 1314(2) within 36 months from 6 June 2019, failing which SGX-ST may either delist the Company, or suspend trading of the Company's shares with a view to delisting the Company.

The Company is also exploring other possible acquisitions to diversify of the existing core business, with a view to meet the MTP Exit Criteria.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the International Financial Reporting Standards ("IFRS"). The financial statements are presented in Chinese Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) as indicated, unless otherwise stated.

The preparation of the financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

Adoption of new and revised standards

On 1 January 2019, the Group adopted the new or amended IFRS and Interpretations of IFRS ("IFRIC") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and IFRIC. The adoption of these new or amended IFRS and IFRIC did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years, except as disclosed below:

Adoption of IFRS 16: *Leases*

This new standard on leases supersedes the previous standard (IAS 17) and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For lessees, IFRS 16 reforms lessee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions. However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, and the Group adopted IFRS 16 retrospectively with any cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019. Under this approach, comparatives are not restated.

The Group, as lessee, has leases previously classified under operating leases. Lease liabilities at 1 January 2019 are measured at present value of remaining lease payments discounted using incremental borrowing rate on that date. For all such leases, the Group elected to measure the Right-of-Use ("ROU") assets at amounts equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

Practical expedients applied

As allowed by IFRS 16, the Group applied definition of leases under IFRS 16 only to contracts entered on or after 1 January 2019 to determine whether or not the contracts contain a lease. For contracts determined to be a lease as at 31 December 2018 using IAS 17 and IFRIC 4, the Group applied transition requirements in IFRS 16 as described above.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Adoption of IFRS 16: *Leases* (Continued)

Practical expedients applied (Continued)

In addition, the Group also elected to apply the following practical expedients to leases previously classified as operating leases, and hence, the Group

- did not recognise lease liabilities and ROU assets to leases with a lease terms ended during the current financial year

- excluded initial direct costs from the measurement of ROU assets at 1 January 2019

- determined lease term on 1 January 2019 using hindsight of the actual extension or termination options exercised

- relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no material onerous contracts as at 1 January 2019.

The following table explains the differences between the operating lease commitments previously disclosed in the financial statements as at 31 December 2018 and the lease liabilities recognised in the statements of financial position as at 1 January 2019:

	Group RMB'000
Operating lease commitments as at 31 December 2018, as previously disclosed	–
Future minimum lease payments under cancellable operating leases, as at 31 December 2018	4,522
Less: Rental paid in advance as at 1 January 2019	(464)
Less: Short-term lease recognised as expense	(1,784)
Less: Effect of discounting at weighted average incremental borrowing rate at 1 January 2019	(220)
Less: Others	(467)
Lease liabilities as at 1 January 2019	1,587

The weighted average incremental borrowing rate applied to the lease liabilities recognised in the statements of financial position on 1 January 2019 is 11%.

Adoption of IFRIC 23: *Uncertainty over Income Tax Treatments*

The interpretation supports the requirements of IAS 12: *Income Taxes*, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Adoption of IFRIC 23: *Uncertainty over Income Tax Treatments* (Continued)

In applying the new interpretation IFRIC 23, management has assessed the relevance and re-measured the brought forward balance of income tax payable, using the most likely amount method, which better predicts the resolution of the uncertainty. Factors taken into account include the status of the projects, the expiry of tax authority's rights to examine, and the applicable tax laws for the relevant years under the Law on Administration of Taxation of the PRC.

The Group has retrospectively applied IFRIC 23 and restated comparative information for the prior financial years in respect changes with respect of the remeasurement of income tax payable. As a result, the Group reversed the income tax payable of RMB 34,516,000 by adjusting accumulated losses as at 1 January 2018, the beginning of earliest prior period presented, as the income tax payable relates to financial years prior to that. The relevant estimates used in determining the tax payable are disclosed in Note 3(i)(e) and the impact on initial application is summarised below:

Group	Balances as previously reported RMB'000	Adjustment RMB'000	Balances as restated RMB'000
31 December 2018			
Statement of financial position			
Income tax payable	37,768	(34,516)	3,252
Accumulated losses	(456,772)	34,516	(422,256)
1 January 2018			
Statement of financial position			
Income tax payable	37,120	(34,516)	2,604
Accumulated losses	(457,763)	34,516	(423,247)

Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Descriptions	Effective for annual periods beginning on or after
Amendments to IFRS 3: *Definition of a Business*	1 January 2020
Amendments to IAS 1 and IAS 8: *Definition of Material*	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest Rate Benchmark Reform*	1 January 2020
IFRS 17: *Insurance Contracts*	1 January 2021
Amendments to IAS 1: *Classification of Liabilities as Current or Non-Current*	1 January 2022
Amendments to IAS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

The directors expect that the adoption of the above standards and interpretations above will have no material impact on the financial statements in the period of initial application.

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

Group accounting

(i) Subsidiaries

(a) Basis of consolidation

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

- had 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 Company 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.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company 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 Company gains control until the date when the Company ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(a) Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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.

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

When the Group loses control of a subsidiary, 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. 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. 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 IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(b) Acquisition of businesses (Continued)

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognise them either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, at the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(c) Disposals of subsidiaries or businesses

The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company's ownership interest in a subsidiary result in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

(ii) Joint ventures (equity-accounted investees)

Joint ventures are those entities over whose activities the Group has joint control, established by contractual arrangements and requiring unanimous consent for strategic financial and operating decision.

Investments in joint ventures are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investments includes transaction costs. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on equity-accounted investees represents the excess of the cost of acquisition of the equity-accounted investees over the Group's share of the fair value of the identifiable net assets of the equity-accounted investees and is included in the carrying amount of the investments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(ii) Joint ventures (equity-accounted investees) (Continued)

In applying the equity method of accounting, the Group's share of its equity-accounted investees' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the equity-accounted investees are adjusted against the carrying amount of the investment. When the Group's share of losses in equity-accounted investees equals or exceeds its interest in the equity-accounted investees, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the equity-accounted investees.

Unrealised gains on transactions between the Group and its equity-accounted investees are eliminated to the extent of the Group's interest in the equity-accounted investees. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The accounting policies of joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Upon loss of joint control over joint ventures, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint ventures upon loss of joint control and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

Subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries and joint ventures, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Currency translation

(i) Functional and presentation currency

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

(ii) Transactions and balances (Continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is 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. The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

All items of property, plant and equipment are depreciated using the straight-line method to write-off the cost of the assets less estimated residual value over their estimated useful lives as follows:

	Useful lives (Years)	Estimated residual value as a percentage of cost (%)
Buildings	20 years	3%
Furniture, fixtures and equipment	5 years	0% to 5%
Motor vehicles	5 to 6 years	3% to 10%
Leasehold improvements	Over the lease terms of 2 to 3 years	0%

The residual value, estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in profit or loss within "Other income / (expenses)".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis over the lease term of 30 years.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth years.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

Financial assets and liabilities

(i) Initial recognition and measurement

Trade receivables are initially recognised when they are originated. Other financial assets and financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Trade receivables without financing component is initially measured at the transaction price in accordance with IFRS 15. Other financial assets or financial liabilities are initially recognised at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, directly attributable transaction costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement

Financial assets

Financial assets are classified and subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, at the following categories:

- Amortised costs
- Fair value through Other Comprehensive Income (FVOCI) – Debt investments
- FVOCI – Equity investments
- Fair value through profit or loss (FVPL)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case such reclassification will be applied prospectively from the reclassification date.

Financial assets at amortised costs

Unless designated at FVPL, financial assets are measured at amortised costs if:

- It is held within a business model with an objective to hold the assets to collect contractual cash flows; and
- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding

These assets, mainly other receivables including amount due from joint ventures, related parties and subsidiaries, pledged bank deposits, cash and cash equivalents, are subsequently measured at amortised costs using the effective interest rate method, which is reduced by impairment losses. Interest income, foreign exchange differences, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

Unless designated at FVPL, a debt investment is measured at FVOCI if:

- It is held within a business model with objectives of both collecting contractual cash flows and selling financial assets; and
- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets (Continued)

Debt investments at FVOCI (Continued)

These assets are subsequently measured at fair value. Interest income calculated on effective interest rate method, foreign exchange differences and impairment are recognised in profit or loss. Other net gains and losses (including changes in fair value) are recognised in OCI. The cumulative amounts in OCI are reclassified to profit or loss upon derecognition. The Group does not hold such financial assets as at 31 December 2019.

Equity investments at FVOCI

Unless held-for-trading, the Group may irrevocably elect on initial recognition, on an investment-by-investment basis, to present subsequent changes of fair value of the equity investments in OCI.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses (including changes in fair value) are recognised in OCI which will never be reclassified to profit or loss.

Financial assets at FVPL

All financial assets not at amortised cost or FVOCI as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI to be measured at FVPL, if doing so eliminates or significantly reduce accounting mismatch that would otherwise arise.

Financial assets held for trading or are managed and whose performance is evaluated on a fair value basis would be mandatorily measured at FVPL.

These assets are subsequently measured at fair value. Net gains or losses, including any interest income or dividend income are recognised in profit or loss.

Financial liabilities

Financial liabilities are subsequently measured at amortised costs unless it is held for trading (including derivative liabilities), or designated as financial liabilities at FVPL on initial recognition to significantly reduce accounting mismatch or when a group of financial liabilities are managed whose performance is evaluated on a fair value basis.

Financial liabilities at amortised costs are subsequently measured at amortised costs using the effective interest rate method. Interest expense and foreign exchange differences are recognised in profit or loss. These financial liabilities mainly comprise trade and other payables including amount due to related parties, and loans and borrowings.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial liabilities (Continued)

Financial liabilities at FVPL are measured at fair value with net gains and losses (including interest expense) recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

(iii) Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets. On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the derecognition date and the sum of the consideration received is recognised in profit or loss.

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

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. The Group also derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished, or transferred and the consideration paid (including non-cash transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group applies impairment model in IFRS 9 to measure the Expected Credit Losses (ECL) of the following categories of assets:

- Financial assets at amortised costs (including other receivables and amounts due from related parties and joint ventures)
- Financial guarantee contracts

ECLs are probability-weighted estimates of credit losses, which are measured at the present value of all cash shortfalls (difference between the cash flows due to the Group in accordance with the contracts and the cash flows that the Group expects to receive), discounted at effective interest rate of the financial asset. The expected cash flows include cash flows from the sale of collaterals held, if any, or other credit enhancements that are integral to the contractual terms.

General approach

The Group applies general approach on financial instruments and financial guarantee contracts, and recognise a 12-month ECL on initial recognition. 12-months ECL are ECLs that result from possible default events within 12 months after the reporting date or up to the expected life of the instrument, if shorter.

Impairment loss allowance or reversals are recognised in profit or loss. Loss allowance on financial assets at amortised cost and contract assets are deducted from the gross carrying amount of those asset.

<u>Significant increase in credit risk (Stage 2)</u>

For credit exposures for which there has been a significant increase in credit risk since initial recognition, impairment loss allowance is measured at life-time ECL. When a financial asset is determined to have a low credit risk at reporting date, the Group assumes that there has been no significant increase in credit risk since initial recognition. For other cases, the Group uses reasonable and supportable forward-looking information available without undue cost or effort to determine, at each reporting date, whether there is significant increase in credit risk since initial recognition. In assessing whether there has been significant increase in credit risks, the Group takes into account factors such as:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations
- actual or expected significant adverse change in the regulatory, economic, or technological environment that are expected to cause a significant change in the debtor's ability to meet its debt obligations
- an actual or expected significant change in the operating results of the debtors

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset 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.

If credit risk has not increased significantly since initial recognition or if the credit quality improves such that there is no longer significant increase in credit risk since initial recognition, loss allowance is measured at 12-month ECL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligation in full, without recourse by the Group.

The Group considers a financial guarantee contract to be in default when the customer is unlikely to pay its loan obligations to the bank in full, without recourse by the Group.

Credit-impaired (Stage 3)

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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group write off the gross carrying amount of a financial assets to the extent that there is no realistic prospect of recovery, for example when the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the Group.

Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in an active market (such as exchange traded and over-the-counter securities and derivatives) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets and the financial liabilities are the current bid prices and the current asking prices respectively.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair value of the financial instruments.

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Completed properties for sale

Completed properties for sale are properties held for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation. Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land costs, development costs and capitalised borrowing costs based on floor area of the unsold properties.

Net realisable value is determined by reference to the Group's estimates of the sales proceeds of properties sold in the ordinary course of business less costs to be incurred in marketing, selling and distribution based on prevailing market conditions.

Leases

The Group assess whether a contract is or contains a lease, at inception of the contract. A contract 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. Reassessment is only required when the terms and conditions of the contract are changed.

(i) As lessee (IFRS 16, applicable on or after 1 January 2019)

At the lease commencement date, the Group recognises a Right-of-Use (ROU) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and low-value leases as described below.

ROU asset

ROU assets are initially measured at cost, which comprise initial amount of lease liability, any lease payment made at or before commencement date, plus initial direct costs incurred, less lease incentives received. Initial direct costs are costs that would not have been incurred if the lease had not been obtained.

Whenever the Group incurs obligations for costs to dismantle and remove a leased asset, restore the site or the underlying asset to the condition required by the terms and conditions of the lease contract, a provision is recognised and measured under IAS 37; and included in the carrying amount of the ROU assets to the extent that the costs relate to a ROU asset.

ROU assets are subsequently measured at cost less accumulated depreciation and impairment losses. ROU assets are depreciated from commencement date to the earlier of end of lease terms and useful life of the ROU assets. In addition, the ROU assets are also adjusted for certain remeasurement of lease liability.

ROU assets are presented as a separate line item on the statement of financial position.

At commencement or modification of a contract that contains lease and non-lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease and non-lease component.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(i) As lessee (IFRS 16, applicable on or after 1 January 2019) (Continued)

Lease liability

Lease liability is initially measured at the present value of lease payments discounted using interest rate implicit in the lease, or if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate, which is estimated by reference to interest rates from various external financing sources for similar terms such as lease terms, type of assets leases and economic environment.

The following lease payments are included in the measurement of lease liability:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease liability is measured at amortised cost using effective interest method. Remeasurement of lease liability (and corresponding adjustment to ROU asset, or to profit or loss when the ROU asset has been reduced to zero) is required when there is:

- a change in future lease payments arising from changes in an index or rate, in which case the initial discount rate is used;
- a change in the Group's assessment of whether it will exercise an extension or termination option, in which case a revised discount rate is used; or
- modification in the scope or the consideration of the lease that was not part of the original term and not accounted for as separate lease, in which case a revised discount rate at effective date of modification is used.

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

Exemption / exclusion

The following leases/ lease payments are not included in lease liabilities and ROU asset:

- The Group has elected not to recognise ROU asset and lease liabilities for short term leases (defined as leases with a lease term of 12 months or less). For such leases, the Group recognises the lease payments in profit or loss as an operating expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(ii) As lessee (IAS 17, applicable prior to 1 January 2019)

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Provisions

General

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required for the Group to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contract provision

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract is lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of expected costs of terminating the contract and the expected net cost of continuing the contract. Before such provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Financial guarantee

In accordance with industry practice, the Group provided guarantees to banks for mortgage loans taken by certain buyers of the Group's properties.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of expected loss computed using the ECL impairment methodology under IFRS 9. ECL for financial guarantees issued are measured as the expected payments to reimburse the banks less any amounts that the Company expects to recover from the buyers.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share capital and treasury shares

Proceeds from issuance of ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

When ordinary shares are reacquired ("treasury shares"), the amount of consideration paid including any directly attributable incremental costs is presented as a component within equity, until they are cancelled, sold or reissued. When treasury shares are subsequently cancelled, the cost of the treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company, if the shares are purchased out of earnings of the Company. When treasury shares are subsequently sold, or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the non-distributable capital reserve of the Company.

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 customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Unless otherwise mentioned, the Group concludes that it is acting as a principal in the provision of goods or services in its contracts with customers.

Sales of completed properties

Under the transfer-of-control approach in IFRS 15, the revenue from the sale of completed properties is recognised at the point in time when control over the properties is transferred to the customers. Control over the properties refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the properties.

The Group concludes that the revenue from sale of completed properties is recognised when all of the following criteria have been met:

- the sale and purchase agreement has been signed;
- the full payment is received from the customers and their financier; and
- the property is ready for handover to the customers, as stipulated in the sale and purchase agreement.

When physical possession of properties are not transferred solely due to the customers' delay in completing the hand-over procedures, the Group has deemed that the properties have been handed over to the customers as specifically provided for in the sale and purchase agreements. In such circumstances, even though the customers have not formally accepted the properties as they have yet to complete the inspection procedures, the Group assessed that this will not defer the transfer of control.

Sales deposit and instalments received from customers prior to the transfer of control are included in "Contract liabilities".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Employees' benefits

(i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

Singapore

The Company makes contribution to the Central Provident Fund ("CPF") Scheme in Singapore, a defined contribution pension schemes.

People's Republic of China ("PRC")

The subsidiaries, incorporated and operating in the PRC, is required to provide certain retirement plan contribution to their employees under the existing PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

Income tax

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

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

All income from sale of properties in the PRC is subject to Land Appreciation Tax ("LAT") at progressive rates under the PRC tax laws and regulations. Management has to estimate the LAT progress rate to provide for LAT in accordance with the PRC tax laws and regulations. The management considered the provision of LAT, as disclosed in Note 34 to be adequate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at 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 utilised. Unrecognised deferred tax assets are reassessed at each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalent comprises cash on hand, deposits with financial institutions, and short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value.

Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chairman, who is the chief operating decision maker, whose members are responsible for allocating resources and assessing performance of the operating segments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Valuation of financial assets, at FVOCI

Management has measured the fair value of the financial assets, at FVOCI representing the unquoted equity investment of 40.15% in Sino Feng using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable data when possible, but when this is not feasible, a degree of judgement is required in establishing the fair value. The critical assumptions include significant judgement in estimating future cash flows, especially the iron ore selling price, license renewal period, discount rate, capital and operating expenditure, etc. Changes in these key assumptions could affect the reported fair value of financial assets, at FVOCI. The valuation technique and assumptions as well as the relevant sensitivity analysis are described in Note 11.

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Management applies the value in use method to determine the recoverable amounts of the non-financial assets. The value in use calculation is based on a forecasting future cash flow model. The cash flows are derived from the budget for the following 12 months and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. In estimating the future cash flows, management has taken into account past performance, operating expenses and the Group's business plan.

The carrying amounts of property, plant and equipment and right-of-use assets and further details of the impairment are disclosed in Note 6 and 7 to the financial statements.

(c) Impairment of other receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that the amounts due from other receivables are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the value of any collateral pledged by the third parties, probability of insolvency or significant financial difficulties of the third parties and default or significant delays in payments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgments (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(c) Impairment of other receivables (Continued)

Included in the total assets of the Group as at 31 December 2019 was other receivables with carrying amount of RMB 799,000 (2018: RMB 1,051,000), which was stated after allowance made for impairment loss amounting to RMB 12,038,000 (2018: RMB 12,038,000). The factors considered by the management in individually determining that these balances were impaired are disclosed in Note 14(i). Any change in the financial standing or probability of the recovery of such balances may result in adjustment to these carrying amounts within the next financial year.

(d) Impairment of investment in subsidiaries

When there is an indication that a subsidiary has suffered an impairment loss, for example the subsidiary is in capital deficit and has suffered operating losses; an assessment is made as to whether the investment in the subsidiary has suffered any impairment, in accordance with the stated accounting policy. An estimate on the recoverable amount is the higher of its fair value less costs to sell and its value in use.

As at 31 December 2019, the total carrying amount of investment in subsidiaries is RMB 128,200,000 (2018: RMB 128,200,000), after net of impairment of RMB 464,334,000 (2018: RMB 464,334,000).

On the other hand, the recoverable amount of Elegant Jade, is not further impaired during the current year, taking into account the balance due to Elegant Jade amounting to RMB 124,943,000 (2018: RMB 124,065,000), its liquid assets and net assets position.

(e) Income taxes

Corporate Income Tax ("CIT")

Significant estimates are involved in determining the Group's provision for income taxes, including the deductibility of certain expenses and construction costs. There are certain transactions and computations for which the ultimate tax determination is uncertain until the finalisation of CIT at the completion of the entire development project. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Upon initial adoption of IFRIC 23 on 1 January 2019, the Group remeasured the impact of the uncertainty using the most likely amount method and reversed an income tax payable of RMB 34,516,000 brought forward from prior years relating to projects completed and sold more than 5 years ago. Factors taken into account include the status of the projects, the expiry of tax authority's rights to examine, and the applicable tax laws for the relevant years under the Law on Administration of Taxation of the PRC.

The carrying amount of the Group's CIT payable at the end of the reporting period was approximately RMB 6,359,000 (2018: net CIT payable of RMB 6,410,000).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgments (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(e) Income taxes (Continued)

Land Appreciation Tax ("LAT")

LAT is levied on properties developed by the Group for sale in the PRC, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, and relevant property development expenditures. However, the Group has not finalised its LAT calculation of the current project with the local tax authorities in the PRC and has paid LAT based on pre-determined rates. The Group recognised LAT based on management's best estimates according to understanding of the tax laws, regulations and practices as advised by local tax expert. Given the uncertainties of the calculation basis of LAT to be interpreted by the local tax bureau may be different from the management estimates, the actual outcomes may be higher or lower than that estimated at the end of the reporting period.

If the estimated allowable deductible expenses increases / decreases by 3% (2018: 5%) from management's estimates, the Group expects the accumulated LAT expenses up to 31 December 2019 will decrease / increase by approximately RMB 4,118,000 (2018: RMB 3,521,000). The carrying amount of the Group's LAT recoverable at the end of the reporting period was approximately RMB 3,320,000 (2018: RMB 3,158,000). The carrying amount of the LAT recoverable was included in the CIT payable balance as at 31 December 2019 and 2018.

Where the final tax outcome of CIT and LAT is different from the amounts that were initially recognised, such differences will impact the tax expense in the period in which such determination is made.

Deferred tax assets not recognised

The Group has unrecognised tax losses carried forward amounting to RMB 38,359,000 (2018: RMB 22,128,000). These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets. The expiry dates of such tax losses are disclosed in Note 22.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgments (Continued)

(ii) Critical judgements in applying the entity's accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(a) Determining when control of property sold is transferred to the customers

Significant judgements are required to determine when the Group has transferred the control of properties sold to the customers, which requires examination of the circumstances of the transactions, including the contract terms, the Group's business practice and the legal and regulatory environment in which the property sales activities are taking place. In assessing the point in time when control of the properties sold are transferred to the customer, management considered that the control is transferred when full payment is received from the customers and their financier, and the property is ready for handover as stipulated in the sale and purchase agreement.

When physical possession of properties is not transferred solely due to the customers' delay in completing the hand-over procedures, the Group has deemed that the properties have been handed over to the customers as specifically provided for in the sale and purchase agreements. In such circumstances, even though the customers have not formally accepted the properties as they have yet to complete the inspection procedures, the Group assessed that this will not defer the transfer of control. The Group also considers that any remaining performance obligation of custodianship is immaterial. The Group believes that the recognition basis of revenue as set out in this Note is in line with the industry practice in the PRC and complies with IFRS 15.

(b) Accounting for bundled sales agreement

On 26 April 2019 and 4 December 2019, the Group has entered into a bundled sales agreement and supplementary agreement with a third-party company, Henan Xinhong Property Agency Co., Ltd. ("Xinhong", or "the Agent") to engage Xinhong to act as sales and marketing agent for the Group's remaining unsold completed properties. Based on the agreement, the agency period will be one year from 24 April 2019 to 23 April 2020 during which both parties have the rights to sell the properties. The mutually-agreed bundled price of RMB 13,500,000 has been fully paid in advance by Xinhong during the current year as refundable deposit. When the Agent secures a buyer, the Group enters into sale and purchase agreements with those individual buyers, and refund the receipts to the Agent. When the Group secures a buyer, the Group is entitled to retain the portion of the receipts above the agreed bundled unit price. At the end of the agency period, the Group will process the transfer of legal title of all remaining unsold units to Xinhong, and the proceeds will be satisfied by the balance of refundable deposit then. Since the contract inception, an amount of revenue has been recognised from units sold by the Agent, reducing the refundable deposit balance to RMB 11,900,000 as at 31 December 2019 (Note 21(ii)).

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgments (Continued)

(ii) Critical judgements in applying the entity's accounting policies (Continued)

(b) Accounting for bundled sales agreement (Continued)

Based on the facts and circumstances and the nature of the counterparty, at contract inception and at reporting date, the Group has assessed that during the one-year agency period, the control over the unsold units are not transferred to the Agent who has not obtained the ability to direct the use of and obtain substantially all of the remaining benefits from the unsold units, in view of:

- the Group's ability under the agreement to source for buyers and realises the inventories at amounts above the contracted price with the Agent, and

- in the event of any quality issue raised by individual buyers sourced by the Agent, the Group will have to repair at its own costs and the Agent is entitled to exercise its rights to exclude the particular property unit from the bundled sales arrangement and seek refund of the relevant deposit.

4. FINANCIAL INSTRUMENTS

Categories of financial instruments

The following table sets out the financial instruments as at the reporting date:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Financial assets				
Financial assets, at FVOCI	70,332	78,108	70,332	78,108
Financial assets, at FVPL	2,740	16,200	–	–
Financial assets at amortised cost	31,356	31,703	920	4,284
	104,428	126,011	71,252	82,392
Financial liabilities				
Financial liabilities at amortised cost	23,180	20,218	125,442	125,719

(i) Market risk

(a) Foreign exchange risk

The Group does not have written risk management policies and guidelines. The directors of the Company meet periodically to analyse and formulate measurements to manage the Group's exposure to market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments for hedging or speculative purposes. There has been no change during the financial year to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

4. FINANCIAL INSTRUMENTS (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

The Group transacts business in various foreign currencies including United States dollar, Hong Kong dollar and Singapore dollar. At the end of the reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

Group 2019	Renminbi RMB'000	United States dollar RMB'000	Hong Kong dollar RMB'000	Singapore dollar RMB'000	Total RMB'000
Financial assets					
Other receivables and deposits	1,064	–	–	–	1,064
Cash and cash equivalents	15,904	13,051	106	98	29,159
Pledged bank deposits	1,133	–	–	–	1,133
Financial assets, at FVPL	2,740	–	–	–	2,740
	20,841	13,051	106	98	34,096
Financial liabilities					
Trade payables	2,544	–	–	–	2,544
Accrual and other payables	18,851	–	–	499	19,350
Lease liabilities	1,286	–	–	–	1,286
	22,681	–	–	499	23,180
Net financial (liabilities) / assets	(1,840)	13,051	106	(401)	10,916
Less: Net financial liabilities denominated in the respective entities' functional currency	1,840	–	–	–	1,840
Foreign currency exposure	–	13,051	106	(401)	12,756

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

4. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2018	Renminbi RMB'000	United States dollar RMB'000	Hong Kong dollar RMB'000	Singapore dollar RMB'000	Total RMB'000
Financial assets					
Other receivables and deposits	1,377	–	–	–	1,377
Amounts due from joint ventures (non-trade)	2,645	–	–	–	2,645
Cash and cash equivalents	21,410	3,896	142	376	25,824
Pledged bank deposits	1,857	–	–	–	1,857
Financial assets, at FVPL	16,200	–	–	–	16,200
	43,489	3,896	142	376	47,903
Financial liabilities					
Trade payables	2,872	–	–	–	2,872
Accrual and other payables	14,322	–	–	1,059	15,381
Amounts due to related parties (non-trade)	520	–	–	–	520
Amounts due to joint ventures (non-trade)	1,434	–	–	–	1,434
Amounts due to joint ventures partner (non-trade)	11	–	–	–	11
	19,159	–	–	1,059	20,218
Net financial assets / (liabilities)	24,330	3,896	142	(683)	27,685
Less: Net financial assets denominated in the respective entities' functional currency	(24,330)	–	–	–	(24,330)
Foreign currency exposure	–	3,896	142	(683)	3,355

As the intragroup receivables and intragroup payables are denominated in Renminbi, which is the functional currency of all entities of the Group, hence the Group is not subject to material foreign currency risk on these balances.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

4. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company 2019	Renminbi RMB'000	United States dollar RMB'000	Hong Kong dollar RMB'000	Singapore dollar RMB'000	Total RMB'000
Financial assets					
Cash and cash equivalents	–	752	103	65	920
	–	752	103	65	920
Financial liabilities					
Accruals and other payables	80	–	–	419	499
Amounts due to subsidiaries (non-trade)	124,943	–	–	–	124,943
	125,023	–	–	419	125,442
Net financial (liabilities) / assets	(125,023)	752	103	(354)	(124,522)
Less: Net financial liabilities denominated in the Company's functional currency	125,023	–	–	–	125,023
Foreign currency exposure	–	752	103	(354)	501
2018					
Financial assets					
Cash and cash equivalents	–	3,860	101	323	4,284
	–	3,860	101	323	4,284
Financial liabilities					
Accruals and other payables	100	–	–	1,034	1,134
Amounts due to subsidiaries (non-trade)	124,065	–	–	–	124,065
Amounts due to related parties (non-trade)	520	–	–	–	520
	124,685	–	–	1,034	125,719
Net financial (liabilities) / assets	(124,685)	3,860	101	(711)	(121,435)
Less: Net financial liabilities denominated in the Company's functional currency	124,685	–	–	–	124,685
Foreign currency exposure	–	3,860	101	(711)	3,250

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

4. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity analysis

The following table details the sensitivity to a 5% (2018: 5%) strengthening and weakening in the relevant foreign currencies against the Renminbi. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the Group's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% (2018: 5%) change in foreign currency rates.

If the relevant foreign currencies weaken by 5% (2018: 5%) against the Renminbi, loss for the year will increase / (decrease) by:

	United States dollar impact		Hong Kong dollar impact		Singapore dollar impact	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Group						
Loss for the year	489	146	4	5	(15)	(26)
Company						
Loss for the year	28	145	4	4	(13)	(27)

A 5% (2018: 5%) strengthening of the relevant foreign currencies against the Renminbi at 31 December would have had the equal but opposite effect on loss for the year on the basis that all other variables remained constant.

The movement of foreign exchange rate does not have any impact on the equity of the Company and the Group.

(b) Interest rate risk

The Group and Company has no significant exposure to cash flows due to changes in interest rate as its interest-bearing financial instruments, primarily pledged bank deposits (Note 19), carry fixed interest rates. Accordingly, no sensitivity analysis was prepared.

(ii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. For financial assets, the Group adopts the policy of dealing only with high credit quality counterparties, which are considered to be low risk. Cash and cash equivalents (Note 20), financial assets, at FVPL (Note 12) and pledged bank deposits (Note 19) of the Group are placed with reputable financial institutions in Singapore, PRC and Hong Kong.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

4. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Credit risk (Continued)

Expected credit losses model under IFRS 9

The Group manages credit loss based on Expected Credit Losses (ECL) model. The Group and Company have the following financial assets subject to ECL:

Group	Other receivables RMB'000 (Note 14)	Amount due from joint ventures RMB'000 (Note 17)	Amount due from related parties RMB'000 (Note 16)
2019			
Gross amount of financial assets subject to ECL	12,837	–	503
Movement of life-time ECL:			
Balance at 1 January 2019	12,038	6,166	495
ECL recognised during the year	–	–	8
ECL reversal during the year, arising from the recovery of balances	–	(1,817)	–
ECL written-off during the year	–	(4,349)	–
Balance at 31 December 2019	12,038	–	503
Carrying amounts of financial assets, representing net exposure as at reporting date	799	–	–
2018			
Gross amount of financial assets subject to ECL	13,089	8,811	495
Movement of life-time ECL:			
Balance at 1 January 2018			
- per IAS 39	14,627	6,166	–
- initial adoption of IFRS 9	–	–	471
	14,627	6,166	471
ECL recognised during the year	–	–	24
ECL reversal during the year, arising from the recovery of balance	(2,589)	–	–
Balance at 31 December 2018	12,038	6,166	495
Carrying amount of financial assets	1,051	2,645	–
Less: Amounts due to joint ventures	–	(1,434)	–
Carrying amounts of financial assets, representing net exposure as at reporting date	1,051	1,211	–

4. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Credit risk (Continued)

Expected credit losses model under IFRS 9 (Continued)

General 3-stages approach is applied in the ECL assessment of the above financial assets. Upon initial application of IFRS 9, management is of the view that determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, and hence lifetime ECL is recognised as at each reporting date until derecognition.

The Group considers the above ECL to be Stage 3 ECL (credit impaired) considering that:

- Other receivables which were fully provided had been overdue more than 3 years
- Weak financial position of joint ventures
- Lack of willingness of related parties to repay the amounts owed

The management assesses that there are no material ECL on bank balances (Note 19 and 20), and rental and other deposits (Note 14).

As at 31 December 2019, other than as disclosed elsewhere and in Note 36(iii), the Group's significant credit risk exposure to single counterparty or group of counterparties having similar characteristics, are mainly described below:

- Cash and cash equivalents amounting to RMB 28,824,000 (2018: RMB 14,584,000) (Note 20) and pledged deposits (Note 19) are placed with 3 (2018: 2) of the 4 largest state-owned commercial banks in the PRC.
- Investment in financial products classified as financial assets, at FVPL (Note 12) amounted to RMB 2,740,000 (2018: RMB 16,200,000) are invested with one of the top 20 commercial banks in the PRC.

The carrying amount of financial assets recorded in the consolidated financial statements, represents the Group's maximum exposure to credit risk, except for the financial guarantee as follow.

<u>Financial guarantees contracts issued</u>

In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks for certain buyers' mortgage loans. Please refer to Note 36(i) on the details of nature of guarantees and the assessment.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

4. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Liquidity risk

The Group maintains sufficient cash and cash equivalents to finance their activities. The following table details the remaining contractual maturity for financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	Weighted average effective interest rate %	On demand or not later than 1 year RMB'000	Later than 1 year and not later than 5 years RMB'000
Group			
2019			
Non-interest-bearing liabilities	–	21,894	–
Interest-bearing liabilities: Lease liabilities (Fixed rate)	11%	904	463
Financial guarantee issued (Note 36(i)), net of bank deposits pledged	–	21,529	–
		44,327	463
2018			
Non-interest-bearing liabilities	–	20,218	–
Financial guarantee issued (Note 36(i)), net of bank deposits pledged	–	32,988	–
		53,206	–

	Company	
	2019 RMB'000	2018 RMB'000
Repayable on demand or within 1 year		
Non-interest-bearing liabilities	125,442	125,719

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

4. FINANCIAL INSTRUMENTS (Continued)

Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's and Company's overall strategies remain relatively similar with that of 2018.

Fair value of financial instruments

(i) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Company classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchies have the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table shows an analysis of financial instruments measured and carried at fair value by the level of fair value hierarchy:

Group		**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
2019				
Financial assets, at FVOCI				
- Unquoted equity investment	(a)	–	–	70,332
Financial assets, at FVPL				
- Financial product investment	(b)	–	2,740	–
		–	2,740	70,332
2018				
Financial assets, at FVOCI				
- Unquoted equity investment	(a)	–	–	78,108
Financial assets, at FVPL				
- Financial product investment	(b)	–	16,200	–
		–	16,200	78,108

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

4. FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments (Continued)

(i) Fair value of financial instruments that are carried at fair value (Continued)

(a) For financial assets, at FVOCI, the fair value of the financial assets cannot be derived from active markets, the fair value was determined using valuation techniques, i.e. discounted cash flows model, which uses unobservable data. The inter-relationship of the significant unobservable inputs is disclosed in Note 11.

(b) For financial assets, at FVPL, the fair value of the financial assets is evaluated based on market price of the unquoted investment products with variable returns at the date of redemption (Note 12).

Movements in Level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (Level 3).

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Financial assets, at FVOCI (Note 11)		
At the beginning of year	78,108	89,022
Fair value loss recognised in other comprehensive income	(7,776)	(10,914)
At end of the year	70,332	78,108

There has been no financial instrument transfer from Level 1 and Level 2 to Level 3 during financial year ended 31 December 2019 and 31 December 2018.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and cash equivalents, pledged bank deposits, trade and other receivables and payables, including amounts due from / (to) related parties, are reasonable approximation of fair value due to their short-term nature.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

At the reporting date, there are no financial instruments under this category.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

5. RELATED PARTY TRANSACTIONS

Some of the arrangements with related parties (as defined in Note 3) and the effects of these bases determined between the parties are reflected elsewhere in this report. In addition to the related party information disclosed elsewhere in the financial statements, the following transactions with related parties took place at terms agreed between the parties during the financial year:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Purchase from a related party [i]	96	–
(Repayment from) / Advances to joint ventures	(2,993)	1,127

Note:

[i] This related party refers to certain entities which are controlled by a director of the Company.

Other than the above loan to the related party[i], the balances arising from the above transactions are unsecured, non-interest bearing and repayable on demand.

The remuneration of directors and other members of key management during the financial years were as follows:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Short-term benefits	4,345	3,675
Post-employment benefits (defined contribution)	71	131
	4,416	3,806

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
As at 1.1.2018	220	2,803	1,793	5,326	10,142
Additions	–	2,411	180	–	2,591
Disposals	–	–	(1,445)	(33)	(1,478)
As at 31.12.2018	220	5,214	528	5,293	11,255
As at 1.1.2019	220	5,214	528	5,293	11,255
Additions	–	395	246	–	641
Disposals	–	–	(117)	(2,028)	(2,145)
As at 31.12.2019	220	5,609	657	3,265	9,751
Accumulated depreciation and impairment loss					
As at 1.1.2018	157	1,388	1,694	3,255	6,494
Charge for the year	11	1,038	69	731	1,849
Disposals	–	–	(1,420)	(32)	(1,452)
As at 31.12.2018	168	2,426	343	3,954	6,891
As at 1.1.2019	168	2,426	343	3,954	6,891
Charge for the year	–	1,494	55	550	2,099
Disposals	–	–	(116)	(1,953)	(2,069)
Impairment loss	–	1,689	–	–	1,689
As at 31.12.2019	168	5,609	282	2,551	8,610
Net carrying value					
As at 31.12.2019	52	–	375	714	1,141
As at 31.12.2018	52	2,788	185	1,339	4,364

During the current year, the management performed an impairment assessment on the property, plant and equipment. The Group has recognised an impairment loss of RMB 1,689,000 for the category of leasehold improvements as the asset's recoverable amount being the value in use is zero, in view of the followings:

(a) the continuous losses incurred by the only cash-generating unit – property development business;

(b) execution of bundled sales agreement during the year of which the deposits have been fully collected as at 31 December 2019; and

(c) lack of clarify on the completion of the Proposed Acquisition (Note 2) and/or other new core business.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Furniture, fixtures and equipment RMB'000
Cost	
As at 1.1.2018 and 31.12.2018	25
Disposals	(14)
As at 31.12.2019	11
Accumulated depreciation	
As at 1.1.2018	17
Charge for the year	1
Disposals	(3)
As at 31.12.2018	15
As at 1.1.2019	15
Charge for the year	2
Disposals	(14)
As at 31.12.2019	3
Net carrying value	
As at 31.12.2019	8
As at 31.12.2018	10

7. RIGHT-OF-USE ASSETS

Group	Leasehold building RMB'000
Cost	
As at 1 January 2019	–
Adoption of IFRS 16	2,050
As at 31 December 2019	2,050
Accumulated depreciation and impairment loss	
As at 1 January 2019	–
Charge for the year	810
Impairment loss	1,240
As at 31 December 2019	2,050
Net carrying amount	
As at 1 January 2019 and 31 December 2019	–

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

7. RIGHT-OF-USE ASSETS (Continued)

The Group has operating lease agreements for office premises for a term of 3 years. Rental is fixed for the first 2 years and subject to escalation clauses of a 5% increase per annum from third year onwards. The lease agreements contain termination options which states that the lease arrangement is cancellable by each party subject to cancellation penalty of 3-month rental, which is considered more than insignificant and the lease is considered enforceable. Management is in the view that the termination options are reasonably certain not to be exercised. Except for restriction on sub-leasing for office premises, there are no restrictions or covenants imposed by the lease contracts. The corresponding lease liabilities is disclosed in Note 23.

As at 31 December 2019, a full impairment of RMB 1,240,000 is recognised for right-of-use assets due to the same reasons as disclosed in Note 6.

8. LAND USE RIGHTS

	Group	
	2019 RMB'000	2018 RMB'000
Net carrying value		
At beginning of year	47	49
Amortisation	(2)	(2)
At end of year	45	47

The Group has been granted land use rights over one plot of state-owned land in PRC where the Group's office resides for a lease term of 30 years.

During the financial year ended 31 December 2019, amortisation of RMB 2,000 (2018: RMB 2,000) has been charged to profit or loss.

9. SUBSIDIARIES

	Company	
	2019 RMB'000	2018 RMB'000
Unquoted equity shares, at cost	197,835	197,835
Deemed investment at cost [(i)]	378,795	378,795
Deemed investment in a subsidiary [(ii)]	15,904	15,904
	592,534	592,534
Less: Impairment	(464,334)	(464,334)
	128,200	128,200
Represented by:		
Investment in Elegant Jade [(iii)]	128,200	128,200

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

9. SUBSIDIARIES (Continued)

Notes:

(i) Deemed investment at cost represents the amounts owing from subsidiaries which was neither likely nor plan to be recovered in the foreseeable future.

(ii) Deemed investment in a subsidiary arose from fair value of share options granted by the Company to the employees of its subsidiary for which there are no recharges.

(iii) The carrying amount of the Company's investment in subsidiaries as at 31 December 2019 and 31 December 2018 represents investment in Elegant Jade.

Particulars of the Company's subsidiaries as at 31 December 2019 and 31 December 2018 are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2019	Effective equity held by the Group 2018
			%	%
Held by the Company				
Elegant Jade Enterprises Limited ("Elegant Jade") (i) (ii)	Investment holding	British Virgin Islands	100	100
Nice Rhythms Limited ("Nice Rhythms") (i) (ii)	Investment holding	British Virgin Islands	100	100
China Mining Singapore Pte. Ltd. (i)	Mining consultancy and investment holding	Singapore	100	100
Held by Elegant Jade				
Zhengzhou Shengderun Mining Co., Ltd (formerly known as "Anyang Huilong Real Estate Co., Ltd") (i)	Dormant	PRC	100	100
Xinxiang Huilong Real Estate Co., Ltd (i)	Property development and investment holding	PRC	100	100
Henan Sunshine Elegant Jade Real Estate Co., Ltd (i)	Investment holding	PRC	100	100
Zhengzhou KunChang Properties Co., Ltd (i)	Property development and investment holding	PRC	100	100

Notes:

(i) Audited by Crowe Horwath First Trust LLP, for the purpose of expressing an opinion on the consolidated financial statements.

(ii) Not required to be audited by the law of the country of incorporation.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

10. JOINT VENTURES

	Group 2019 RMB'000	Group 2018 RMB'000
Cost of investments in joint ventures	–	241,186
Share of post-acquisition losses	–	(3,081)
Deemed contribution in joint ventures (Note 17)	–	995
Impairment loss	–	(239,100)
	–	–

Share of losses of joint ventures

Current year's losses up to the date of disposal of the joint ventures are continued to be shared as the Group has made payments on behalf of the joint ventures. Such share of loss amounting to RMB 35,000 (2018: RMB 853,000) for the year is applied against deemed contribution reclassified from the amounts due from joint ventures.

Disposal

On 18 December 2019, the Group disposed of its 50% equity interest in Tian Cheng to the joint venture partner at consideration sum of RMB 500,000. As a result of the disposal of the joint ventures, the Group has recognised a gain on disposal amounting to RMB 500,000 in profit or loss within "Other income" (Note 30).

Details of the Group's joint ventures at 31 December 2019 and 2018 are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2019 %	Effective equity held by the Group 2018 %
Held by Nice Rhythms				
Tian Cheng Holdings Limited ("Tian Cheng")	Investment holding	British Virgin Islands	–	50
Held by Tian Cheng, directly and indirectly				
Zhengzhou Jing Wei Trading Co., Ltd	Investment holding	PRC	–	50
Zhengzhou Bidi Trading Co., Ltd	Investment holding	PRC	–	50
Xinjiang Feng Shuo Mineral Resources Co., Ltd ("Feng Shuo")	Exploration and mining	PRC	–	50

The above joint ventures are accounted for using the equity method and are audited by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

11. FINANCIAL ASSETS, AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	Group and Company	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	78,108	–
Reclassification at 1 January 2018 upon initial adoption of IFRS 9	–	70,431
Impact of adopting IFRS 9	–	18,591
Changes in fair value recognised in other comprehensive income	(7,776)	(10,914)
At end of the year	70,332	78,108
Representing:		
Unquoted equity investments		
Investment in Sino Feng Mining S.àr.l. ("Sino Feng")	70,332	78,108

Judgement on classification of this investment

In accordance with the shareholders' agreement dated on 30 April 2017 entered between Sino Feng, Sino-Africa and the Company:

(a) The control and management of Sino Feng will vest in the board of directors, which is solely appointed by Sino-Africa. The Company is not entitled to have any board representation, and neither the constitution of Sino Feng allows the Company, owning less than majority of voting power, to appoint a director in a general meeting.

(b) Dividends will be solely proposed by the Board of Directors of Sino Feng.

On the other hand, the abovementioned shareholders' agreement also agreed that subsequent to the share purchase, no new funding contribution will be required from the Company for purpose of making or realising an investment or funding any other requirement of the mining business of Sino Feng.

Based on the above facts and circumstances and analysis of the rights and obligations held by the Company, the Company is not able to exercise control, joint control or significant influence over Sino Feng.

Upon initial adoption of IFRS 9 on 1 January 2018, the Group and the Company made an irrevocable election to measure the unquoted equity investments in Sino Feng at FVOCI as a strategic investment to tap into developed iron ore market in South Africa that has the potential to create long term value and returns. As a result, the investment is classified as financial asset at "Fair value through Other Comprehensive Income" (FVOCI).

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

11. FINANCIAL ASSETS, AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) (Continued)

Particulars of the Group's and Company's unquoted equity investment as at 31 December 2019 is as follows:

Unquoted investment	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interests	
			2019 %	2018 %
Held by the Group and Company				
Sino Feng Mining International S.àr.l. ("Sino Feng")	Investment holding	Luxembourg	40.15	40.15
Held by Sino Feng, directly and indirectly				
Huixin Mining International Pty Limited	Investment holding	Republic of South Africa	100	100
Aero Wind Properties Pty Limited ("AWP")	Investment holding	Republic of South Africa	40	40

AWP holds a mining right granted by the relevant South African authority in respect of iron ore mine located in Thabazimbi district, Limpopo Province, South Africa (the "Thabazimbi Project"). The issuance of mining right certificate is pending settlement of rehabilitation deposit amounting to South African Rand 10,091,000 (equivalent to RMB 5,030,000) and provision of mining programme and surveyed plan.

The Group has engaged AP Appraisal Limited, an independent Hong Kong based valuer, to evaluate the fair value of the Thabazimbi Project as at 31 December 2019. Based on income-based approach, the valuation estimated the future cash flows for the period of the estimated operating lifespan of the mine according to the resource estimation and a suitable discount rate in order to calculate the present value, by reference to both historic performance and forecasts.

Valuation technique and assumptions

Different values of an independent variable would impact a particular dependent variable under a given set of assumptions, especially iron ore price, discount rate and total amount of resource adopted in the valuation. The discounted cash flows included 30 years of exploring and mining period with revenue generation from year 2023 and assumed the mining licence can be successfully renewed for 10 years upon expiry in 20th year. The key assumptions applied in discounted cash flows which are considered significant unobservable inputs are disclosed as below:

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

11. FINANCIAL ASSETS, AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) (Continued)

Valuation technique and assumptions (Continued)

	Group and Company		Inter-relationship between input and fair value
	31 December 2019	**1 January 2019**	
Saleable product	89 million tonnes	89 million tonnes	Positive
Selling price of per tonne of iron ore *	USD 65.00 - 85.40	USD 70.09 - 76.20	Positive
Operating expenditure	USD 37.96 / tonne	USD 34.00 / tonne	Inverse
Capital expenditure	USD 325 million	USD 287 million	Inverse
Discount or weighted average cost of capital rate	10.79%	10.00%	Inverse
Contingency allowance	15.00%	15.00%	Inverse
Minority discount	25.00%	25.00%	Inverse
Exchange rate (USD:RMB)	6.9762	6.8632	Positive

* Based on forecast futures iron ore prices (2018: based on forecast iron ore price derived from binomial model). Management does not expect the iron ore prices will be materially affected by the COVID-19 outbreak.

Inter-relationship between key unobservable inputs and fair value measurement:

(i) Inverse: The unobservable inputs to the discounted cash flows model have an inverse relationship to the valuation, i.e. the higher the input, the lower the fair value.

(ii) Positive: The unobservable inputs to the discounted cash flows model have a positive relationship to the valuation, i.e. the higher the input, the higher the fair value.

(iii) The estimated fair value would increase (decrease) if:

- Saleable product and selling price of iron ore were higher (lower)
- Operating and capital expenditure were lower (higher)
- Discount rate or weighted average cost of capital rate were lower (higher)
- Contingency allowance were lower (higher)
- Minority discount were lower (higher)

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

11. FINANCIAL ASSETS, AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) (Continued)

Outcome of fair value measurement

Based on the valuation report issued by the valuer, the fair value of the financial assets at FVOCI as at 31 December 2019 is measured at RMB 70,332,000 (2018: RMB 78,108,000). The Group and the Company recognised a fair value loss amounting to RMB 7,776,000 (2018: RMB 10,914,000) during the current year. There has been no disposal of such equity investment designated at FVOCI during the financial year.

Sensitivity analysis

The change in fair value is most sensitive to the market demand and selling price for the future sales of iron ore during the 30 years of exploring and mining period, which is determined based on following key assumptions:

- The selling price is estimated using the forecast of futures commodity price of iron ore
- The discount rate for the equity interests is the weighted average cost of capital of a comparable mix of debt and equity.

The following table shows the impact on the fair value of the investment as at 31 December 2019 if the key assumptions (selling price or discount rate) deviate in respect of 1% and 0.1% respectively.

Percentage change in iron ore price	Iron ore price (USD / tonne)	Fair value of FVOCI (RMB)	Increase / (Decrease) in fair value changes (RMB)
+1%	USD 65.65 - 86.25 / tonne	76,667,000	6,335,000
0%	USD 65.00 - 85.40 / tonne	70,332,000	–
-1%	USD 64.35 - 84.55 / tonne	63,996,000	(6,336,000)

Absolute change in discount rate	Applied discount rate	Fair value of FVOCI (RMB)	Increase / (Decrease) In fair value changes (RMB)
+0.1%	10.89%	67,794,000	(2,538,000)
0%	10.79%	70,332,000	–
-0.1%	10.69%	72,920,000	2,588,000

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

12. FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)

The financial asset at fair value through profit or loss as at 31 December was as follows:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
At beginning of the year	16,200	–
Reclassification at 1 January 2018 upon initial adoption of IFRS 9	–	31,050
Addition	146,200	271,820
Redemption	(160,307)	(288,228)
Changes in fair value recognised in profit or loss (Note 30)	647	1,558
At end of the year	2,740	16,200
Representing:		
- Non-principal protected financial products	2,740	16,200

The Group invested in non-principal protected financial products with a top 20 commercial banks in the PRC. The investment does not have any fixed maturity term and coupon interest rates or yield return. For those investment redeemed during the year, the yield earned was ranging from 2.4% to 3.2% per annum (2018: 2.9% to 4.3% per annum), amounting to approximately RMB 647,000 (2018: RMB 1,558,000) included in "Other income" (Note 30).

13. COMPLETED PROPERTIES FOR SALE

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
At cost	16,911	21,990
Less: Accumulated impairment loss	(5,207)	(4,588)
	11,704	17,402
Carrying amount represent net realisable value of:		
Townhouse units	9,802	13,787
Commercial units	1,718	3,615
Basement units	184	–
	11,704	17,402

During the current financial year, a new bundled sales agreement has been signed with Xinhong and the remaining properties with carrying amount of RMB 11,704,000 are bundled to the agreement as at year end, which will be sold to Xinhong upon the expiry of the agreement, i.e. 23 April 2020. Further details are disclosed in Note 3 and Note 21(ii).

The cost of completed properties recognised as expenses and included in "Cost of sales" amounted to RMB 3,659,000 (2018: RMB 20,696,000).

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

13. COMPLETED PROPERTIES FOR SALE (Continued)

Movement of impairment loss of completed properties for sale:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
At beginning of the year	4,588	7,221
Impact of adopting IFRS 15	–	(2,377)
Charge for the year	3,533	932
Write-back for the year	(1,493)	(1,188)
Net impairment / (write-back) (Note 31 / 30)	2,040	(256)
Write-off for the year	(1,421)	–
At end of the year	5,207	4,588
Accumulated impairment loss at the end of the year represents:		
Townhouse units	2,562	482
Basement units	2,163	3,656
Commercial units	482	450
	5,207	4,588

2019

The Group has provided a net impairment loss of RMB 2,040,000 arising from:

(a) Reversal relating to basement units amounting to RMB 1,493,000 based on the agreed contractual price in the bundled sales agreement (Note 21(ii)) entered into during the current financial year; and

(b) An impairment loss of commercial and townhouse units amounting to RMB 3,533,000 due to agreed contractual price in the bundled sales agreement of remaining units being lower than cost.

(c) Written-off of impairment loss amounting to RMB 1,421,000 relates to the property units sold during the year, of which impairment was made in previous years.

2018

The Group has reversed a net impairment loss of RMB 256,000 arising from:

(a) Reversal relating to basement and condominium units amounting to RMB 1,188,000, based on the contracts entered into during the financial year ended 31 December 2018; and

(b) An impairment loss of commercial and townhouse units amounting to RMB 932,000 due to agreed contractual price in the bundled sales agreement (Note 21(ii)) of remaining units being lower than cost.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

13. COMPLETED PROPERTIES FOR SALE (Continued)

The details of the completed properties for sale, Xinxiang Sunny Town Project (新乡阳光新城项目), as at 31 December are as follows:

Property and address	Description	Remaining Tenure	Gross floor area (square metre) 2019	Gross floor area (square metre) 2018
Sunny Town Located at Xinxiang New District, Western District of Xinxiang, Henan Province, the PRC	Residential and Commercial	Residential: 70 years expiring in 2076 Commercial: 40 years expiring in 2046	10,198	13,481

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Advances to staff	20	20	–	–
Other receivables [(i)]	12,837	13,089	–	–
Less: Allowance for impairment	(12,038)	(12,038)	–	–
	799	1,051	–	–
Prepayment [(ii)]	10,295	10,013	115	–
Prepaid rental [(iii)]	521	1,069	–	–
Rental deposits [(iii)]	245	245	–	–
Prepaid business and related tax	377	516	–	–
Prepaid construction costs	56	56	–	–
Other deposits	–	61	–	–
	12,313	13,031	115	–

Notes:

(i) Included in the other receivables (gross) of the Group as at 31 December 2019 was an impairment loss of RMB 12,038,000 (2018: RMB 12,038,000) in connection with the remaining balance of the disposal of a piece of land located at Xinxiang New District, Western District of Xinxiang City. On 6 May 2014, one of the Company's subsidiary, Xinxiang Huilong Real Estate Co., Ltd ("Xinxiang"), entered into a supplementary agreement with the buyer, Xinxiang Hongjing Zhiye Co., Ltd (新乡宏景置业有限公司), wherein the buyer undertake to pay the sum of RMB 27,068,000, of which only RMB 15,030,000 had been recovered in financial year ended 31 December 2015.

The management is of the view that there is a significant uncertainty in the collectability, of the remaining balance of RMB 12,038,000 which has been fully impaired since financial year ended 31 December 2015. No collection has been received during the current and previous financial year and up to date of this report.

(ii) Included in the prepayment of the Group as at 31 December 2019 was an amount of RMB 10,000,000 (2018: RMB 10,000,000) paid to a third-party developer as down payment for the intention to purchase of a new office premise in Henan, which is currently under construction (Note 36(iii)).

(iii) The rental paid in advance for short-term lease and rental deposit of the Group as at 31 December 2019 relate to the current corporate office located in Henan, PRC.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

15. AMOUNTS DUE TO SUBSIDIARIES (NON-TRADE)

These non-trade balances are unsecured, non-interest bearing and repayable on demand.

16. AMOUNTS DUE FROM / (TO) RELATED PARTIES (NON-TRADE)

	Group and Company	
	2019	**2018**
	RMB'000	**RMB'000**
Amounts due from related parties [(i)]	503	495
Less: Allowance for impairment:		
At beginning of the year / upon initial adoption of IFRS 9	(495)	(471)
Addition	(8)	(24)
At end of the year	(503)	(495)
	–	–
Amounts due to related parties [(ii)]	–	(520)

Notes:

(i) Amounts due from related parties are unsecured, non-interest bearing and repayable on demand.

These related parties refer to the entities in which a director of the Company and a close member of his family have controlling financial interest.

(ii) Amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

These related parties refer to the entities jointly controlled by a director of the Company and a close member of his family.

Impairment:

During the previous financial year, upon initial adoption of IFRS 9, the Group recognised an ECL amounting to the gross carrying amount as management is of the view that the probability of recovery from the related parties is extremely low, taking into account the abandonment of earlier restructuring plan. As allowed by IFRS 9, the impairment loss of RMB 471,000 is recognised and included in "accumulated losses" as at 1 January 2018 and impairment loss of RMB 24,000 is recognised in profit or loss for the previous year.

During the current financial year, a further impairment loss of RMB 8,000 has been recognised.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

17. AMOUNTS DUE FROM / (TO) JOINT VENTURES (NON-TRADE)

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Amounts due from joint ventures	–	2,645
Amounts due to joint ventures	–	(1,434)
	–	1,211

The above balances are unsecured, non-interest bearing and repayable on demand.

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Amounts due from joint ventures (non-trade)	–	9,806
Deemed contribution in joint ventures (Note 10)	–	(995)
	–	8,811
Less: Allowance for impairment		
At beginning of the year	(6,166)	(6,166)
Reversal	1,817	–
Written off	4,349	–
At end of the year	–	(6,166)
	–	2,645

Impairment:

The Group assess the net credit exposure of amount due from / (to) joint ventures on a net basis. During the previous financial year, the management performed an impairment test for the amounts due from joint ventures and the Group has recognised an accumulated impairment loss of RMB 6,166,000 on its share of proportionate contribution as the joint ventures do not have revenue-generating activities. The net credit exposure was recoverable through the future contribution from the joint ventures partner to match the Group's past contribution.

During the current year, the joint ventures has repaid RMB 2,993,000 to the Group. In connection with this, the Group reversed the allowance for impairment of amounts due from joint ventures amounting to RMB 1,817,000 and recognised as "Other income" in profit or loss (Note 30), after offsetting against the net amount due from the same party of RMB 1,211,000.

18. AMOUNTS DUE TO JOINT VENTURES PARTNER (NON-TRADE)

Amounts due to joint ventures partner are unsecured, non-interest bearing and repayable on demand.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

19. PLEDGED BANK DEPOSITS

The Group has pledged certain deposits to the state-owned commercial banks in PRC to secure their grants of mortgage loans to the buyers of the Group's properties. These deposits carry interest rate ranging from 0% to 0.3% (2018: 0% to 0.3%) per annum. The pledged bank deposits will be released upon the issuance of ownership certificates.

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Cash at bank	29,119	25,686	920	4,244
Cash on hand	40	138	–	40
Cash and cash equivalents per consolidated statement of cash flows	29,159	25,824	920	4,284

As at 31 December 2019, the Group has cash and cash equivalents placed with banks in the People's Republic of China denominated in RMB amounting to approximately RMB 15,869,000 (2018: RMB 21,333,000). The RMB is not freely convertible into foreign currencies. Under the People's Republic of China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

21. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Other payables				
- Construction cost payables	648	1,231	–	–
- Others	3,366	2,293	–	–
Accrued expenses				
- Accrued business and related taxes	2,225	2,226	–	–
- Other accrued expenses [(i)]	1,884	2,067	499	1,134
Deposits				
- Refundable deposits received in advance [(ii)]	13,452	9,790	–	–
- Non-refundable deposits received in advance [(ii)]	–	500	–	–
	21,575	18,107	499	1,134

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

21. ACCRUALS AND OTHER PAYABLES (Continued)

Notes:

(i) Other accrued expenses of the Group and the Company include directors' fees payable amounting to RMB 77,609 (2018: RMB 380,000), accrued sales commission and bonus amounting to Nil and RMB 677,070 (2018: RMB 33,000 and Nil) respectively.

(ii) As at 31 December 2018, included in non-refundable deposits and refundable deposits are RMB 500,000 and RMB 8,000,000 respectively, which are collected under a bundled sales agreement with a third-party company, Xinxiang FuRunDe Property Agency Co., Ltd. ("FRD"). The refundable deposit of RMB 8,000,000 was classified as a financial liability in accordance with the judgement exercised by management on the possibility of refund, in the event that the negotiation for completion of the agreement failed and the agreement was to be terminated, this amount would have to be refunded to FRD in cash. During the current year, full sum of RMB 8,500,000 has been fully refunded to FRD, upon termination of this agreement on 24 April 2019.

Included in the refundable deposit as at 31 December 2019 was an amount of RMB 11,900,000 collected from an Agent in a bundled sales arrangement of the Group's remaining completed properties for sale. As disclosed in Note 3 (Critical judgment), the Group will either refund the deposit upon future sales of the units, or transfer the remaining deposits as sales proceeds from the Agent for all unsold units at the end of the agency period, on 23 April 2020.

Further details can be found in Note 3 to the financial statements.

22. DEFERRED TAX ASSETS

The followings are the major deferred tax assets recognised by the Group, and the movements thereon, during the current financial year prior to offsetting are as follows:

	Impairment on completed properties for sale
	RMB'000
At 1.1.2018	1,789
Impact of adopting IFRS 15	(594)
Charge to profit or loss for the year (Note 34)	(48)
At 31.12.2018	1,147
At 1.1.2019	1,147
Charge to profit or loss for the year (Note 34)	155
At 31.12.2019	1,302

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

22. DEFERRED TAX ASSETS (Continued)

Unrecognised tax losses

A PRC subsidiary has tax losses of approximately RMB 38,359,000 (2018: RMB 22,128,000) that is available for offset against its future taxable profits subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation. The tax losses of the PRC subsidiaries expire by end of 5 years from the losses recorded, as follows:

	Group			
	2019 RMB'000	**Expiring in**	**2018 RMB'000**	**Expiring in**
Tax losses arising from financial year of:				
2015	1,786	2020	1,786	2020
2016	4,200	2021	4,200	2021
2017	8,512	2022	8,512	2022
2018	7,630	2023	7,630	2023
2019	16,231	2024	–	–
	38,359		22,128	

Notes:

No deferred tax asset is recognised on the above unutilised tax losses due to uncertainty of its recoverability as the PRC subsidiary is dormant and has no income-generating assets or business.

Unrecognised temporary differences relating to investment in a subsidiary

Temporary differences of RMB 79,409,000 (2018: RMB 83,046,000) have not been recognised for the withholding and other taxes that will be payable on the retained earnings of PRC subsidiaries when remitted to the Company as it is not probable that the subsidiary will declare dividends in view of the cash position.

The deferred tax liability not recognised for undistributed profits is estimated to be RMB 7,941,000 (2018: RMB 8,305,000). There are no significant undistributed profits of the Group's interest in joint ventures as at 31 December 2018.

23. LEASE LIABILITIES

	Group 2019 RMB'000
Current:	
- Later than 1 year and not later than 5 years	827
Non-current:	
- Not later than 1 year	459
	1,286

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

23. LEASE LIABILITIES (Continued)

The total cash outflows for the year for all lease contracts amounted to RMB 2,248,000, which includes short-term lease expenses not included in lease liabilities, as disclosed in Note 33 to the financial statements.

Reconciliation of liabilities arising from financing activities

	As at 31 December 2018	Adoption of IFRS 16	As at 1 January 2019	Financing cash flows	As at 31 December 2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	–	1,587	1,587	(301)	1,286

24. ISSUED CAPITAL

	Group and Company			
	2019		2018	
	Number of ordinary shares	S$'000	Number of ordinary shares	S$'000
Authorised shares at beginning and end of the year	62,500,000,000	500,000	62,500,000,000	500,000

Movements of the issued and paid-up capital of the Group and the Company as follows:

	Group and Company			
	2019		2018	
	Number of ordinary shares	RMB'000	Number of ordinary shares	RMB'000
Issued and paid-up shares at the beginning and end of the year	146,700,000[i]	5,897	146,700,000(i)	5,897

As at 31 December 2019, the par value of ordinary shares is S$0.008 each (2018: S$0.008 each). The holders of the ordinary shares (except treasury shares) are entitled to receive dividend as and when declared by the Company.

All ordinary shares carry one vote per share without restrictions.

Note:

(i) Inclusive of 11,500 treasury shares (Note 26).

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

25. SHARE PREMIUM

	Group and Company	
	2019	2018
	RMB'000	RMB'000
At the beginning and end of the year (i) (ii) (iii)	224,594	224,594

Notes:

(i) Share premium of RMB 204,521,000 arose from the issue of shares pursuant to its initial public offer on SGX-ST.

(ii) Share premium of RMB 19,573,000 arose from the issue of 146,000,000 ordinary shares at an issue price of S$0.09 for the acquisition of Climbing Ace Limited and its subsidiaries in the financial year ended 31 December 2008.

(iii) Share premium of RMB 500,000 arose from the issue of 195,600,000 ordinary shares at an issue price of S$0.063 per share pursuant to a private share placement.

Under the Companies Law (revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

26. TREASURY SHARES

	Group and Company			
	2019		2018	
	Number of ordinary shares	RMB'000	Number of ordinary shares	RMB'000
At the beginning and end of the year	11,500	18	11,500	18

Treasury shares relate to ordinary shares of the Company that is held by the Company.

27. DISTRIBUTABLE RESERVE

	Group and Company	
	2019	2018
	RMB'000	RMB'000
At the beginning and end of the year	267,600	267,600

The distribution reserve is in connection to the surplus arising from the Capital Reduction carried out in 2013.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

28. FAIR VALUE RESERVE / (DEFICIT)

	Group and Company RMB'000
As at 1.1.2018	–
Impact of adopting IFRS 9	18,591
As at 1.1.2018, adjusted	18,591
Equity investment in FVOCI	
- net change in fair value (Note 11)	(10,914)
As at 31.12.2018	7,677
As at 1.1.2019	7,677
Equity investment in FVOCI	
- net change in fair value (Note 11)	(7,776)
As at 31.12.2019	(99)

Fair value reserve arises from net changes in fair value of financial assets at FVOCI (Note 11). The reserve, which is relating to the equity investment designated to be measured at FVOCI, will be transferred to retained earnings upon disposal of the respective investment.

29(a). REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from the sales of completed properties to customers at a point in time.

	Group	
	2019 RMB'000	2018 RMB'000
Sales of completed properties	5,030	41,818
Sales tax	–	(221)
	5,030	41,597

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

29(b). CONTRACT LIABILITIES

Contract liabilities mainly relates to advance consideration received from customers for sale of completed properties. Significant changes in the contract liabilities balance during the year are:

	Group	
	2019 RMB'000	2018 RMB'000
At beginning of the year	1,973	43,199
Impact of adopting IFRS 15	–	(22,259)
Adjusted balance at beginning of the year	1,973	20,940
Consideration received from end customers during the year	3,114	22,630
Recognised as revenue	(5,030)	(41,597)
At end of the year	57	1,973
Revenue recognised in current year that was included in the contract liabilities balance at beginning of the year	1,963	20,602

Under IFRS 15, the portion of unsatisfied performance obligation to transfer control of the completed properties to customers shall be recorded as 'Contract liability'.

30. OTHER INCOME

	Group	
	2019 RMB'000	2018 RMB'000
Fair value gain on financial assets, at FVPL (Note 12)	647	1,558
Gain on disposal of joint ventures	500	–
Gain on disposal of property, plant and equipment	280	–
Accruals and other payables written off	247	2,411
Write-back of impairment on completed properties for sales, net (Note 13)	–	256
Foreign exchange gain, net	–	73
Others	2	–
	1,676	4,298

31. OTHER EXPENSES

	Group	
	2019 RMB'000	2018 RMB'000
Impairment loss of completed properties for sale, net (Note 13)	2,040	–
Impairment loss of property, plant and equipment (Note 6)	1,689	–
Impairment loss of right-of-use assets (Note 7)	1,240	–
Foreign exchange loss, net	8	–
Loss on disposal of property, plant and equipment	–	26
Others	–	7
	4,977	33

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

32. FINANCE INCOME

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Under effective interest rate method for financial assets at amortised cost		
- Interest income – bank balance and structured deposits	98	44
- Interest income – loan to a third party	284	–
	382	44

33. (LOSS) / PROFIT BEFORE TAX

In addition to the information disclosed elsewhere in the financial statements, this item is also determined after charging / (crediting) the following:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Directors' remuneration and fees:		
- Paid to directors of the Company	2,677	2,391
Staff costs (including Directors' remuneration and fees)		
- Short-term benefits	11,198	7,437
- Post-employment benefits: defined contribution	403	437
Audit fees:		
- Paid to auditors of the company	658	720
Other auditors' fees	13	499
Depreciation of property, plant and equipment (Note 6)	2,099	1,849
Depreciation of right-of-use assets (Note 7)	810	–
Amortisation of land use rights (Note 8)	2	2
Entertainment expenses	1,902	1,846
Legal and professional fees	1,337	1,520
Operating lease expenses	–	2,385
Lease expenses not included in lease liabilities		
- short term leases	1,784	–
Non-lease component under lease contract	302	–

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

34. TAX EXPENSE

	Group	
	2019 RMB'000	2018 RMB'000
Deferred tax (Note 22)		
- Changes of temporary differences	(155)	48
Corporate income tax (i)		
- Current year	18	4,602
Land appreciation tax (ii)		
- Current year	181	1,448
Current tax expense	199	6,050
Tax expense	44	6,098

Notes:

Taxation of the Group comprises corporate income tax and land appreciation tax in the PRC.

(i) Corporate income tax is provided at the applicable income tax rate, subsidiaries of the Company established in the PRC are subject to the income tax rate of 25% (2018: 25%) of their assessable profits. No income tax was payable in respect to the subsidiary in Singapore, as it is dormant during the current and preceding years. The Company and certain subsidiaries operate from tax-free jurisdictions.

(ii) Under the provisional rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including all finance costs and all property development expenditures. There were certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such exemption.

Henan Provincial Tax Bureau ("HPTB") issued a Circular YuDiShuiFa [2010] No.28 ("Circular 28") on 1 May 2010 to follow through Circular 91 of the State Administration of Taxation ("SAT") and clarified the land appreciation tax administration in Henan Province, post Circular 91, from 1 May 2009 onwards. Under Circular 28, those property developers that have been approved by the tax bureau, prior to 1 May 2010, to settle the final land appreciation tax by a deemed-gain method should be allowed to apply this method for their land appreciation tax final settlement upon the approval by the in-charge tax bureau. The HPTB has also adjusted the deemed-gain rates to be a range from 1.5% to 4.5%, depending on the nature of transactions.

The tax expense for the year can be reconciled to the (loss) / profit before tax as follows:

	Group	
	2019 RMB'000	2018 RMB'000
Accounting (loss) / profit before tax	(23,337)	5,180
Taxation at the PRC corporate income tax rate of 25% (2018: 25%)	(5,834)	1,295
Effect of different tax rates in tax-free jurisdiction	266	1,150
Effect of land appreciation tax	136	1,086
Effect of expenses not deductible for tax purpose	1,409	463
Effect of share of losses of joint ventures	9	213
Utilisation of deferred tax assets previously not recognised	–	(17)
Deferred tax assets not recognised on tax losses	4,058	1,908
Tax expense for the year	44	6,098

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

35. LOSS PER SHARE

	2019 RMB'000	2018 RMB'000
Loss attributable to equity holders of the Company (RMB'000)	(23,381)	(918)
Weighted average number of ordinary shares outstanding (excluding 11,500 treasury shares) for basic loss per shares ('000)	146,689	146,689
Basic and diluted [i] loss per share		
- RMB cents	(15.94)	(0.63)
- SGD cents [ii]	(3.15)	(0.13)

Notes:

(i) The Company has no dilutive potential ordinary shares for the financial year ended 31 December 2019 and 2018 and there was no ordinary share that may be issued upon the exercise of any share option outstanding as at 31 December 2019 and 2018.

(ii) Calculated based on average exchange rate of S$ 1:RMB 5.06 (2018: S$ 1:RMB 4.99).

36. CONTINGENT LIABILITIES AND COMMITMENTS

(i) Financial guarantee contracts issued

In accordance with industry practice, the Group provided guarantees to certain domestic PRC banks for mortgage loans taken by certain buyers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the banks are entitled to deduct the amounts of due and outstanding mortgage payments (with accrued interests and penalties) from the bank balances of the Group pledged for this purpose (Note 19). The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end at the earlier of (a) the execution of pledge of the individual property ownership certificate of the property purchased to the banks; and (b) full payments by the buyers. For one of the banks, the guarantee period ends 2 years after the execution of pledge of title. In the event that the Group repaid the defaulted mortgage loan of the buyers in full, the banks will transfer the pledge of title to the Group.

As at 31 December 2019, the notional amount of the mortgage loans guaranteed amounted to approximately RMB 22,662,000 (2018: RMB 34,845,000); and the Group's bank deposits amounting to RMB 1,133,000 (2018: RMB 1,857,000) has been pledged for this purpose (Note 19).

The Group does not charge any fees or premium to those buyers for the guarantees and determined that the fair value at inception cannot be reliably determined. Hence the financial guarantee contracts are measured at the amount of ECL determined based on IFRS 9. Based on the management's assessment, there is no material ECL on these financial guarantees, taking into account:

(a) The mortgage loans were made within the guidelines agreed between the Group and the banks, which does not exceed 50-70% of the total purchase price; and

(b) For defaults during the periods prior to issuing of individual property ownership certificate, or situations whereby the Group repaid the bank in full, the Group is entitled to sell the properties as a recourse and the Group expects that the then market price of the underlying properties would be adequate to recover the loss; and

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

36. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(i) Financial guarantee contracts issued (Continued)

(c) Low default rate in the past and the ability of the Group to obtain reimbursement from the defaulted house buyers for the Group's bank balances deducted by the banks.

Even though the current situation of coronavirus outbreak might result in higher default rate, management do not expect material ECL on these financial guarantees in the next twelve months after the reporting date, taking into account of above (a) and (b).

(ii) Lease commitments

(a) Lease commitments as at 31 December 2019 (IFRS 16)

As at 31 December 2019, the Group is committed to the following lease payments not included in lease liabilities:

	Group RMB'000
Leases commencing after the reporting date	982

(b) Operating lease commitments as at 31 December 2018 (IAS 17)

The Group as lessee:

The Group has operating lease agreements for office premises for a term of 3 years, ending in year 2020 and 2021. Rental is fixed for the first 2 years and subject to escalation clauses of a 5% increase per annum from third year onwards. The lease agreements are cancellable by either party, subject to cancellation penalty of 3-month rental.

(iii) Capital commitment

On 26 November 2018 and 27 February 2019, the Group has entered into an option to purchase agreement and a supplemental agreement with a third-party, Henan Zijing Science Park Industrial Development Co., Ltd ("Zijing") (河南紫荆科技园实业发展有限公司) for the intention to purchase a 2,168m^2 office premise in a technology park under construction in Henan at RMB 10,840,000. A down payment of RMB 10,000,000 has been made during the current year (Note 14(ii)), with the balance sum to be paid upon completion of building structure.

According to the agreements, Zijing will reserve the specified office premise to the Group and will sign a Sale and Purchase Agreement with the Group in due course. Zijing has also undertaken to (a) obtain the certificate of land use rights of the office premise prior to 15 June 2019; and (b) handover the office premise to the Group prior to 31 July 2020. In the event Zijing failed to fulfill the foresaid undertakings, the agreement shall be automatically cancelled and become void. Thereupon, the full amount of down payment will be refunded within 10 days from the date of cancellation.

During the current year, Zijing has obtained the certificate of land use right on 8 October 2019. However, up to date of this report, Sale and Purchase Agreement has not been executed due to the delayed construction progress.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

37. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chairman of the Group, who is the chief operating decision maker, in order to allocate resources to the segments and to assess their performance. Information reported to the chief operating decision maker has only two types of information being, commercial and residential property development or investment in mining. The chief operating decision maker allocate resources and assess its performance based on these two categories.

Information reported to the Group's Chairman for the purpose of resource allocation and assessment of performance is focused on two operating divisions - commercial and residential property development and investment in mining.

Principal activities are as follows:

(i) Commercial and residential property development

Development of commercial and residential properties for sale.

(ii) Mining

Investment in mining business for capital gain or future dividend income.

(iii) Investment

The Investments segment is the investment holding arm for various entities not within the Property Development and Mining segments, which includes unallocated corporate functions and restructuring activities. Treasury investment activities, mainly investment in financial products (Note 12) are also included in this segment.

(i) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

Group	**Mining**	**Commercial and residential property development**	**Investment**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
2019				
Segment revenue from external customers	–	5,030	–	5,030
Segment loss, representing loss before tax	(35)	(1,793)	(21,509)	(23,337)
Tax expense				(44)
Loss for the year				(23,381)

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

37. SEGMENT INFORMATION (Continued)

(i) Segment revenues and results (Continued)

Group	Mining	Commercial and residential property development	Investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2018				
Segment revenue from external customers	–	41,597	–	41,597
Segment (loss) / profit, representing (loss) / profit before tax	(853)	20,113	(14,080)	5,180
Tax expense				(6,098)
Loss for the year				(918)

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

(ii) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

Group	Mining	Commercial and residential property development	Investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2019				
Segment assets	70,332	15,785	43,752	129,869
Consolidated segment assets				129,869
Segment liabilities	–	(21,618)	(6,883)	(28,501)
Consolidated segment liabilities				(28,501)

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

37. SEGMENT INFORMATION (Continued)

(ii) Segment assets and liabilities (Continued)

Group	Mining	Commercial and residential property development	Investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2018				
Segment assets	80,753	36,768	43,173	160,694
Consolidated segment assets				160,694
Segment liabilities	(1,445)	(55,280)	(5,960)	(62,685)
Consolidated segment liabilities				(62,685)

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible and financial assets attributable to each segment.

(iii) Other segment information

	Mining	Commercial and residential property development	Investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2019				
Amounts included in the measure of segment assets:				
Additions to property, plant and equipment	–	–	641	641
Financial assets, at FVOCI	70,332	–	–	70,332
Amounts included in the measure of segment loss / (profit):				
Share of losses of joint ventures	35	–	–	35
Gain on disposal of joint ventures	(500)	–	–	(500)
Depreciation of property, plant and equipment	–	19	2,080	2,099
Loss / (Gain) on disposal of property, plant and equipment	–	1	(281)	(280)
Impairment loss of property, plant and equipment	–	–	1,689	1,689
Depreciation of right-of-use assets	–	–	810	810
Impairment loss of right-of-use assets	–	–	1,240	1,240
Fair value gain of financial assets, at FVPL	–	(161)	(486)	(647)
Impairment loss of amounts due from related parties	–	–	8	8
Impairment loss of completed properties for sale, net	–	2,040	–	2,040
Reversal of allowance for impairment of amounts due from joint ventures	(1,817)	–	–	(1,817)
Accruals and other payables written off	–	(113)	(134)	(247)
Interest income	–	(19)	(363)	(382)
Interest expense	–	–	140	140

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

37. SEGMENT INFORMATION (Continued)

(iii) Other segment information (Continued)

	Mining	Commercial and residential property development	Investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2018				
Amounts included in the measure of segment assets:				
Additions to property, plant and equipment	–	–	2,591	2,591
Financial assets, at FVOCI	78,108	–	–	78,108
Amounts included in the measure of segment loss / (profit):				
Share of losses of joint ventures	853	–	–	853
Depreciation of property, plant and equipment	–	40	1,809	1,849
Impairment loss of amounts due from related parties	–	–	24	24
Reversal of allowance for impairment of other receivables	–	(2,589)	–	(2,589)
Other payables written off	–	(2,411)	–	(2,411)
Fair value gain of financial assets, at FVPL	–	(436)	(1,122)	(1,558)
Write-back of impairment on completed properties for sale, net	–	(256)	–	(256)
Interest income	–	(36)	(8)	(44)

(iv) Information about geographical areas

All Group's revenue and non-current assets are principally attributable in the PRC except for financial assets, at FVOCI amounted to RMB 70,332,000 (2018: RMB 78,108,000) which represents interest in an iron ore mine located in the South Africa.

(Amounts in thousands of Chinese Renminbi ("RMB") unless otherwise stated)

38. COMPARATIVES

Certain comparative figure has been reclassified to conform the change in presentation in the current year to enhance comparability with the current year's financial statements, as follows:

(a) Reversal of allowance for impairment of other receivables amounting to RMB 2,589,000 has been reclassified and recorded as "Written-back of impairment of financial assets, net" on the Consolidated statement of profit or loss and other comprehensive income, which was previously included in 'Other income'.

As a result, certain line items have been amended on the face of the Consolidated statement of profit or loss and other comprehensive income and the related notes to the financial statements. Comparative figures have been reclassified to conform with the current year's presentation as to better reflect the nature of the transaction.

	31 December 2018		
	Balances as previously reported RMB'000	**Reclassification RMB'000**	**Balances as reclassified RMB'000**
Consolidated statement of profit or loss and other comprehensive income			
Written-back of impairment of financial assets, net	(24)	2,589	2,565
Other income	6,887	(2,589)	4,298

STATISTICS OF SHAREHOLDINGS

As at 30 March 2019

Issued and fully paid capital	:	S$1,184,303 (equivalent to about RMB5,897,000)
Number of shares	:	146,700,000 (including treasury shares)
Number of issued shares	:	146,688,500 (excluding treasury shares)
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
Number of treasury shares	:	11,500

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 MARCH 2020

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 - 99	31	2.15	1,413	0.00
100 - 1,000	350	24.27	163,537	0.11
1,001 - 10,000	786	54.51	2,704,174	1.84
10,001 - 1,000,000	264	18.31	10,056,803	6.86
1,000,001 and above	11	0.76	133,774,073	91.19
Total	**1,442**	**100.00**	**146,700,000**	**100.00**

LIST OF 20 LARGEST SHAREHOLDERS AS AT 30 MARCH 2020

NO.	NAME OF SHAREHOLDERS	NO OF SHARES	PERCENTAGE (%)
1	MAYBANK KIM ENG SECURITIES PTE.LTD	45,021,850	30.69
2	GLOSSMEI LIMITED	18,250,000	12.44
3	GUO YINGHUI	17,985,000	12.26
4	KGI SECURITIES (SINGAPORE) PTE. LTD	14,560,000	9.925
5	PHILLIP SECURITIES PTE LTD	11,801,674	8.045
6	DB NOMINEES (SINGAPORE) PTE LTD	8,505,000	5.798
7	UOB KAY HIAN PTE LTD	6,180,375	4.213
8	ABN AMRO CLEARING BANK N.V.	3,477,275	2.37
9	DBS VICKERS SECURITIES (S) PTE LTD	2,816,562	1.92
10	RAFFLES NOMINEES(PTE) LIMITED	2,238,212	1.526
11	WANG HAIYAN	1,763,250	1.202
12	CITIBANK NOMS SPORE PTE LTD	1,176,825	0.802
13	LI SHI	525,012	0.358
14	TEE WEE SIEN (ZHENG WEIXIAN)	492,875	0.336
15	DBS NOMINEES PTE LTD	488,550	0.333
16	OCBC SECURITIES PRIVATE LTD	363,250	0.248
17	YAP THIAM JOO	294,200	0.201
18	CHAN HOCK LYE	275,375	0.188
19	TENG BENG CHYE	255,875	0.174
20	SIOW KWONG THYE	200,000	0.136
	TOTAL	**136,657,960**	**93.165**

STATISTICS OF SHAREHOLDINGS

As at 30 March 2019

SUBSTANTIAL SHAREHOLDERS AS AT 30 MARCH 2020

	Number of Shares fully paid			
Name of Substantial Shareholders	**Direct Interest**	**%[1]**	**Deemed Interest**	**%[1]**
Guo Yinghui[2][3]	17,985,000	12.26	32,240,000	21.98
Glossmei Limited	18,250,000	12.44	0	0.00
China Focus International Limited[3]	17,680,000	12.05	0	0.00
Han Yong[4]	7,669,537	5.23	0	0.00
Ample Scenery Investments Limited[5]	10,530,463	7.18	0	0.00
Feng Li[3][6]	14,560,000	9.93	35,665,000	24.31

(1) Based on the issued share capital of 146,688,500 shares (excluding 11,500 treasury shares).

(2) Mr Guo Yinghui is deemed to be interested in the 14,560,000 shares held by his spouse, Mdm Feng Li, whose shares are registered in the name of KGI Securities (Singapore) Pte and the 17,680,000 shares held by China Focus International Limited.

(3) China Focus International Limited is an investment company incorporated in the British Virgin Islands, with Mr Guo Yinghui and Mdm Feng Li as its Directors, and its shares are equally held by them. Mr Guo Yinghui and Mdm Feng Li are therefore deemed to be interested in the shares held by China Focus International Limited. The shares of China Focus International Limited are registered in the name of Maybank Kim Eng Securities Pte Ltd.

(4) Mr Han Yong's shares are registered in the name of Maybank Kim Eng Securities Pte Ltd.

(5) Shares of Ample Scenery Investments Limited are registered in the name of Maybank Kim Eng Securities Pte Ltd.

(6) Mdm Feng Li is deemed to be interested in the 17,985,000 shares held by her spouse, Mr Guo Yinghui and the 17,680,000 shares held by China Focus International Limited.

PUBLIC FLOAT

Based on information available to the Company as at 30 March 2020, approximately 40.04% of the issued ordinary shares (excluding treasury shares) of the Company are held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

CMI 中矿国际有限公司
CHINA MINING INTERNATIONAL LIMITED