ANNUAL REPORT 2018

中矿国际有限公司
CHINA MINING INTERNATIONAL LIMITED

CONTENTS

CHAIRMAN'S MESSAGE

GUO YING HUI
CHAIRMAN

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 31 December 2018 ("FY2018").

FINANCIAL REVIEW

The overall revenue of the Group, generated mainly from the sales of developed properties, increased by 60% from RMB 26.0 million attained in the financial year ended 31 December 2017 ("FY2017") to RMB 41.6 million in FY2018. The increase was principally attributed to more completed units of high value properties being delivered to the buyers in respect of the Xinxiang Sunny Town Project (新乡阳光新城项目).

In line with the higher revenue registered in FY2018, the Group achieved a higher gross profit of RMB 20.9 million in FY2018 as compared to that of RMB 9.9 million in FY2017. A higher gross profit margin of 50% was also attained by the Group in FY2018 compared to that of 38% in FY2017. The increase was mainly the result of more completed units of higher value properties being delivered to buyers concerned in FY2018.

The Group's selling and distribution expenses increased by 53% or RMB 0.8 million from RMB 1.4 million in FY2017 to RMB 2.2 million in FY2018 chiefly as a result of higher marketing and sales commission expenses paid to promote the sales of remaining completed projects. On the other hand, our general and administrative expenses decreased by RMB 4.7 million or 20% from RMB 24.3 million in FY2017 to RMB 19.6 million in FY2018 mainly as a result of our enhanced cost saving measures carried out during FY2018.

Accordingly, the Group registered a net loss of RMB 0.9 million in FY2018 compared to a net loss of RMB 16.0 million in FY2017.

The Group's cash and cash equivalents increased by RMB 10.1 million or 65% in FY2018 and were principally attributed to the redemption of investment in short-term financial products purchased from local PRC banks previously.

OPERATION REVIEW

On 18 July 2018, the Company announced the expiry of the long-stop date of 30 June 2018 concerning the amended and restated conditional sale and purchase agreement governing the reverse-takeover transaction involving the injection of certain mines into the Group as first announced by the Company on 11 July 2013 and periodically thereafter (with the latest being made on 30 June 2017) (the "Proposed RTO"). Following the expiry of the Proposed RTO on 30 June 2018, the Group, save for its shareholding interests in its exploration and mining assets and joint ventures, will no longer undertake any business activities related to the exploration, mining and trading (including mining consultancy)of mineral resources.

With an aim to seize the opportunity to participate in the growth prospects of the agricultural business in China, thereby availing long-term growth and sustaining returns to the Group, the Company had on 18 July 2018 entered into a Sale and Purchase Agreement ("SPA") to acquire 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 Company") 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"). The Proposed Acquisition, which is subject to the approval of the non-interested shareholders of the Company (the Shareholders"), would result in a change in the risk profile of the Group once completed, and the consideration for which will be satisfied by the issuance and allotment of 143,076,923 new ordinary shares in the capital of the Company at an issue price of S$0.26 per share.

After much further discussions, it was agreed between the Company and the Seller to not extend the long-stop date of the SPA as the parties wish to reconsider the structure of the Proposed Acquisition. Accordingly, the SPA was terminated on 11 March 2019.

The Company will make further announcements on any material developments in connection with the Proposed Acquisition as and when appropriate, and will keep the Shareholders updated on the progress of the Proposed Acquisition.

ACKNOWLEDGEMENTS

In closing, I would like to take this opportunity to express my deepest thanks to the management and staff for their steadfast commitment and contributions, as well as to our suppliers, customers and bankers for their trust and loyalty. I would also like to express my appreciation to my fellow Directors for their stewardship and dedication in driving the business forward amidst the challenges we faced.

Lastly, I would like to thank our Shareholders for their unwavering support and patience through the years, which enabled us to remain resilient and resolute. We look forward for their continued support as we forge ahead into 2019 and beyond.

GUO YING HUI
CHAIRMAN

BOARD OF DIRECTORS

01

GUO YING HUI
CHAIRMAN

02

LI BIN
CHIEF EXECUTIVE OFFICER

03

DONG LING LING
EXECUTIVE DIRECTOR

04

LIM HAN BOON
INDEPENDENT AND NON-EXECUTIVE DIRECTOR

05

NING JIN CHENG
INDEPENDENT AND NON-EXECUTIVE DIRECTOR

06

CHAN SIEW WEI
INDEPENDENT AND NON-EXECUTIVE DIRECTOR

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 26 April 2016.

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 26 April 2016.

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.

Mr Lim is currently the Independent Director for Marco Polo Marine Ltd and Addvalue Technologies Ltd. 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 26 April 2016.

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 26 April 2016.

KEY MANAGEMENT

DANNY HENG HOCK KEONG

Mr Danny Heng Hock Keong ("Mr Heng") joined China Mining International Limited as the Chief Finance Officer in 2018 and is responsible for the finance and administration functions. Prior to joining the Group, Mr Heng had over 20 years of experience as CFO and Finance Director in several listed companies. Mr Heng graduated with a Bachelor of Business Administration (Finance and Investment Management) from the City University of New York and a Master of Science (Accounting and Information Management) from the Pace University, New York. He is a Fellow Member and Chartered Accountant with the Institute of Singapore Chartered Accountants and a Certified Public Accountant with the American Institute of Certified Public 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.

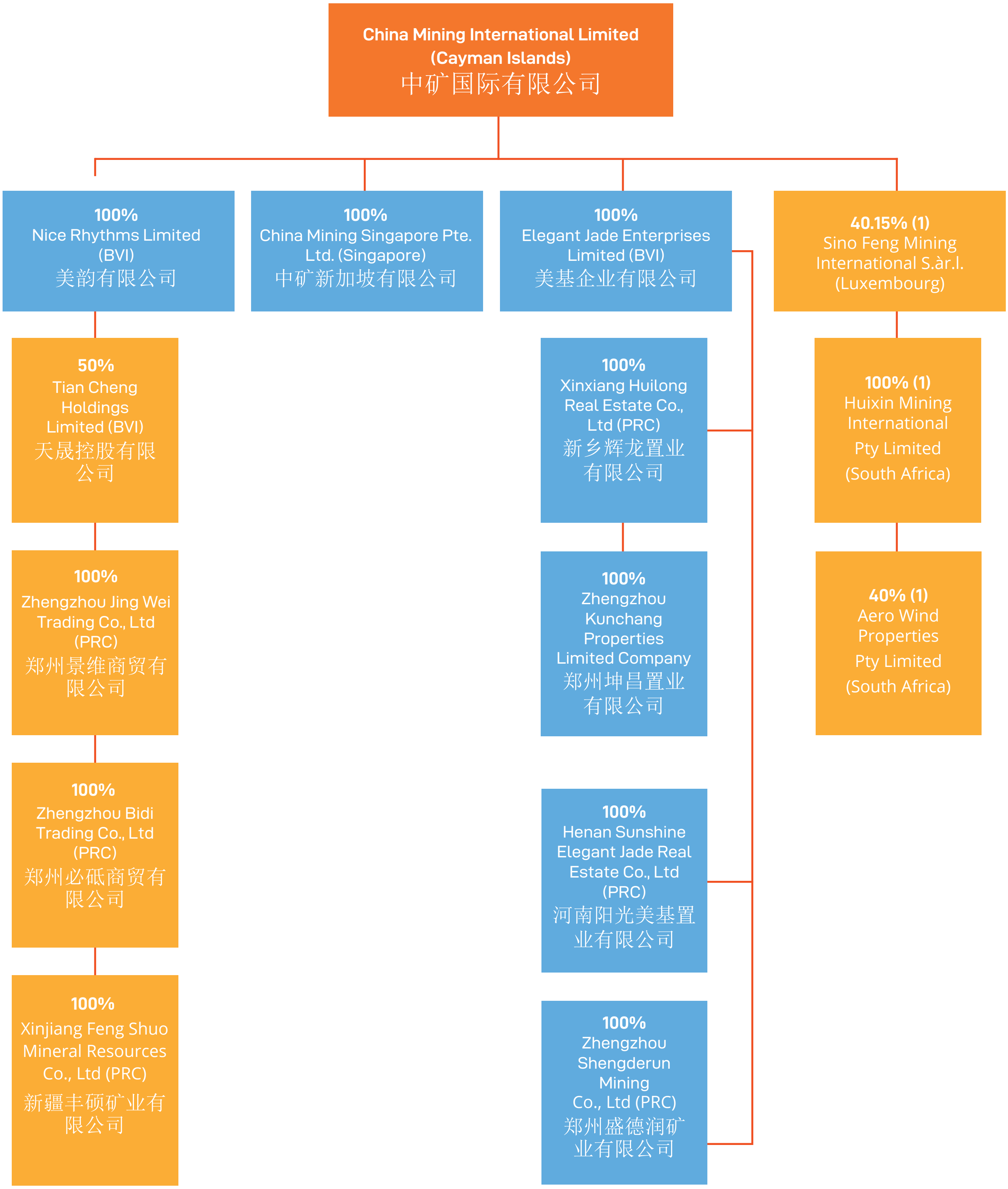
Prior to joining the Group, Ms Wu had been a practicing lawyer in China as well as held various senior positions, taking charge of matters relating to law or risk control, with several securities or investment consulting firms in China. Over the years, she had accumulated an abundance of experience in 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 10(b)).

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
Danny Heng

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

Danny Heng
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

CORPORATE GOVERNANCE REPORT

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 2012 ("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: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

Guideline 1.1
Board's Role

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.

The Board also meets to consider the following corporate matters:-

- approval of quarterly, half-yearly and year-end results announcement;
- approval of the annual reports and accounts; and
- convening of shareholder's meetings.

Guideline 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.

Guideline 1.3
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.

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 5, 7 to 9, 11 and 12 herein for further information on the activities of the NC, RC and AC respectively.

Guideline 1.4
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 FY2018:

	Board	**Audit**	**Remuneration**	**Nominating**
Number of meetings held	4	4	1	1
Name of directors		**Number of meetings attended**		
Mr Guo Yinghui	4	4*	1*	1
Mr Li Bin	4	4*	1*	1*
Mr Lim Han Boon	3	3	1	1
Mr Ning Jin Cheng	4	4	1	1
Mr Chan Siew Wei	4	4	1	1*
Ms 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.

Guideline 1.5
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.

Guidelines 1.6 and 1.7
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 be 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 FY2018 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.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and substantial shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Guidelines 2.1 and 2.2
Independent Element of the Board

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 Ying Hui (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

In compliance with Guideline 2.2 of the Code, the independent Directors make up half the Board where the Chairman is part of the management and is not an independent director.

Guidelines 2.3 & 2.4
Independence of Directors

The criterion for independence is based on the definition given in the Code. The Code has defined an "independent" director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment of the conduct of the Group's affairs. The independence of each Director is reviewed annually by the NC, based on the definition of independence as stated in the Code.

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.

CORPORATE GOVERNANCE REPORT

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 10% 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.

Mr 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 Chan, Mr Lim and Mr Ning on abstention) concurred that Mr Chan, 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.

Guidelines 2.5 & 2.6
Composition and Competency 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.

Notwithstanding the above, 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.

Guideline 2.7 and 2.8
Role and meetings of Independent Directors

During the year, the Independent Directors provide guidance and advice on both the Group's short-term and long-term business strategies. The Independent Directors communicate among themselves without the presence of Management as and when the need arises.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Guideline 3.1 & 3.2
Separate role of Chairman and Managing Director & Roles and Responsibilities of Chairman

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.

Guidelines 3.3 and 3.4
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: There should be a formal and transparent process for the appointment and reelection of directors to the Board.

Guideline 4.1
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

Guideline 4.2
NC Responsibilities

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 recommend to the Board on all board appointments, re-appointments, nominations and re-election of Directors;

(b) To assess the independence of the Independent Directors, meet SGX-ST's guidelines and criteria; and

(c) 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.

The Company has in place the policy and procedures for the appointment of new Directors to the Board, including a description on the search and nomination process. The NC will 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.

Guideline 4.3
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 guidelines 2.3 and 2.4 above.

Guideline 4.4
Multiple Board Representations

The NC is of the view that it is inappropriate to set a limit on the number of 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.

Guideline 4.5
Alternative Directors

There are currently no Alternative Directors on the Board.

Guideline 4.6
Process for the Selection and Appointment of New Directors

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.

Mr Guo Yinghui, Mr Li Bin, Mr Ning Jin Cheng and Mr Chan Siew Wei will retire by rotation pursuant to Article 86 of the Constitution of the Company at the forthcoming AGM. Taking into account the attendance and participation at Board meetings, the NC (with Mr Guo Yinghui and Mr Ning Jin Cheng abstaining from the deliberations and the vote of the NC) is satisfied that the retiring Directors have committed time to effectively discharge their responsibilities. The NC has recommended their re-election.

Guideline 4.7
Key Information on Directors

Key information regarding the Directors is given in the 'Board of Directors' section of the annual report.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its committees and the contribution by each director to the effectiveness of the Board.

Guideline 5.1
Conduct of Board Performance

The NC reviews and evaluates the performance of the Board as a whole, taking into consideration the attendance record at the meetings of the Board and Board committees and also the contribution of each Director to the effectiveness of the Board. The NC, with the participation of the Executive Directors, reviewed and discussed the performance of the Board during the year, and where improvements might be necessary to enhance the effectiveness of the Board.

This process includes having the directors complete a performance evaluation form seeking their evaluation on various aspects of Board performance. The Company Secretary compiles the directors' evaluation into a consolidated report. The report is discussed at the NC meeting and is also shared with the entire Board.

Guideline 5.2
Performance Criteria for Board Evaluation

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 implementing certain recommendations to further enhance the effectiveness of the Board.

No external facilitator was used in the evaluation process.

The NC has reviewed the evaluations of the Board and individual directors 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.

Guideline 5.3
Evaluation of Individual Directors

The 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.

CORPORATE GOVERNANCE REPORT

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Guidelines 6.1 and 6.2
Board's Access to information

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 separate and independent access to the management of the Company and of the Group at all times in carrying out their duties.

Guidelines 6.3
Board's Access to Company Secretary

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.

Guideline 6.4
Appointment and Removal of Company Secretary

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

Guideline 6.5
Board's Access to Independent Professional Advice

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.

REMUNERATION MATTERS

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

Guidelines 7.1 and 7.2
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 of the Company;

(b) To determine specific remuneration packages for each Executive Director;

(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.

Guideline 7.3
RC's Access to Advice on Remuneration Matters

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.

The recommendations of the RC will be submitted to the Board for endorsement.

Guideline 7.4
Service Contract

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 a long-term basis and no onerous removal clauses are contained in the letter of employment.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Guideline 8.1
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.

Guideline 8.2
Long-term Incentive Scheme

There is currently no share option scheme in the Group. The RC has reviewed and is satisfied that the existing remuneration structure for Executive Directors and key management personnel for their fixed and variable components to be paid out in cash would continue to be adequate in incentivising performance without being over-excessive.

Guideline 8.3
Remuneration of Independent Directors

Independent directors 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.

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 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 RC views that it is not appropriate to implement a scheme to encourage Non-Executive Directors to hold shares in the Company when there is no share incentive scheme for both Executive Directors and management personnel.

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

Guideline 8.4
Contractual Provisions

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.

DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Guidelines 9.1, 9.2 and 9.3
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 of the Directors for the financial year ended 31 December 2018:

Remuneration band	Director's Fee %	Salary %	Bonus %	Other benefits %	Total %
S$250,000 to S$500,000					
–	–	–	–	–	–
Up to S$250,000					
Mr Guo Ying Hui (Chairman)	–	96.2	–	3.8	100
Mr Li Bin (also CEO)	–	–	–	100	100
Ms Dong Ling Ling	–	97.8	–	2.2	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 [5] key executives for the financial year ended 31 December 2018:

Remuneration Band and Name	Salary %	Bonus %	Other benefits %	Total %
Up to S$250,000				
Mr Danny Heng	93.4	–	6.6	100
Mr Li Ji Gang	99.4	–	0.6	100
Ms Wu Yu	90.9	–	9.1	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 2018 Annual Report. The aggregate total remuneration paid to the top 3 key management personnel, amounted to RMB 1,272,000 for FY2018.

Guideline 9.4
Immediate Family Members of Directors or the CEO

There were no employees during the financial period from 1 January 2018 to 31 December 2018 who were immediate family members of a Director and/or a Substantial Shareholder whose remuneration is in excess of S$50,000 during the financial year ended 31 December 2018.

Guideline 9.5
Employee Share Scheme

The RC is responsible for the administration of the Company's Share Option Scheme. There is currently no share option scheme in the Group.

Guideline 9.6
Link between Remuneration and Performance

The disclosures in Guidelines 8.1 and 8.3 set out the link between remuneration and performance for Executive Directors and key management personnel.

For the year under review, the RC has reviewed the remuneration of Executive Directors, key management personnel in accordance with their performance criteria and recommended them to the Board. The Board has endorsed the RC's recommendations.

The remuneration of the Company's Directors and key management personnel has been formulated to attract, retain and motivate these executives to run the Company successfully. The level and structure of remuneration are aligned with the long-term interests and risk policies of the Company. The Company adopts a remuneration policy for employees comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Company and the individual. The remuneration policy is aligned with the interests of the shareholders and promotes long-term success of the Group. No remuneration consultants were engaged by the Company in FY2018.

The annual reviews of compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group.

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.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Guideline 10.1
Accountability for Company's Performance, Position and Prospects

The Board provides a balanced and meaningful assessment of the Group's financial performance and prospects regularly through financial statements, announcement of results to shareholders and the SGX-ST as well as the Chairman's statement, and review of operations in the annual report.

Guideline 10.2
Compliance with Legislative and Regulatory Requirements

The Board is accountable to the shareholders and is committed to ensure compliance with the Listing Rules of the SGX-ST. The Directors have each signed the respective undertaking in the form set out in Appendix 7.7 of Listing Rules to undertake to use their best endeavours to comply with the SGX-ST Listing Rules and to procure that the Company shall so comply. A similar undertaking has been executed by the Chief Financial Officer in his capacity as Executive Officer.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Quarterly, half-yearly and annual financial results and annual reports will be announced or issued within legally prescribed periods and in compliance with statutory requirements. The Company encourages shareholders' participation at AGMs.

Guideline 10.3
Management Accounts

Management of the Company provides the Board with balanced and understandable accounts of the Group's performance, financial position and business prospects on a quarterly basis. Such reports compare the Group's actual performance against the approved budget and result of the previous quarter. They also specify major issues that are relevant to the Group's performance.

The Board reviews regulatory compliance reports from management to ensure that the Group complies with the relevant regulatory requirements.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: 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 the 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.

Guidelines 11.1 and 11.2
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.

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.

<u>Assurance from CEO and CFO</u>

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

(a) the financial records of the Group have been properly maintained and the financial statements for FY2018 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.

Guideline 11.3
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 AC and the Board are 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 2018.

Guideline 11.4
Risk Committee

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC. 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.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Guideline 12.1
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 Director
Mr Ning Jin Cheng	Member	Independent Director
Mr Chan Siew Wei	Member	Independent Director

Guidelines 12.2 and 12.8
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.

Guidelines 12.3 and 12.4
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 quarterly and full year financial results announcements and financial statements before submission to the Board for approval, focusing in particular and if any, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(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 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;

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

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

(i) 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; and

(j) 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.

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.

Guideline 12.5
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.

Guideline 12.6
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$130,000 (2017: 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.

Guideline 12.7
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.

Guideline 12.9
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.

CORPORATE GOVERNANCE REPORT

INTERNAL AUDIT

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

Guidelines 13.1 to 13.4
Internal Audit Function

The Group did not engage any internal auditors for the financial year ended 31 December 2018. 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 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.

Guideline 13.5
Adequacy and Effectiveness of Internal Audit Function

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.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Guideline 14.1
Sufficient Information to Shareholders & Timely information to and engagement with shareholders

In line with continuous obligations of the Company pursuant to the Listing Rules of SGX-ST, the Board's policy is that all shareholders be informed of all major developments that impact the Group.

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price. Information is disseminated to shareholders on a timely basis through:

(a) SGXNET announcements and news release;

(b) Annual report prepared and issued to all shareholders;

(c) Press releases on major developments of the Group;

(d) Notices of and explanatory memoranda for AGM and Extraordinary General Meetings (EGM);

(e) Company's Investor Relations website at www.chinamining-international.com., where shareholders can access timely information on the Group.

Guideline 14.2
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. Shareholders will be briefed by the Company on the poll voting procedures at general meetings.

Guideline 14.3
Proxies for Nominee Companies

The Company's Constitution allows a shareholder, including a nominee company 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.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Guideline 15.1 to 15.4
Timely information to and engagement with Shareholders

The Company communicates with its shareholders and the investment community through the timely release of announcements to the SGX-ST via SGXNET. Financial results of the Group are released within 45 days from the end of each quarter and within 60 days from the financial year end. In addition, 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 Articles of Association allows all shareholders to appoint up to two proxies to attend general meetings and vote on their behalf.

Guideline 15.5
Dividend

For FY2018, no dividend was declared or recommended due to the performance of the Group.

CORPORATE GOVERNANCE REPORT

CONDUCT OF SHAREHOLDERS' MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Guideline 16.1
Effective Shareholders' Participation

All resolutions at AGMs are put to vote by poll to allow greater transparency and more equitable participation by shareholders.

Guideline 16.2
Separate Resolutions at General Meetings

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

Guideline 16.3
Attendance of Chairman of the Board and Board Committees at General Meetings

The members of the Board, chairman of the Board Committees and management as well as external auditors are normally present at the AGMs to address shareholders' queries, if any.

Guideline 16.4
Minutes of General Meetings

The minutes of the general meetings are taken and are available to shareholders for their inspection upon request.

Guideline 16.5
Results of resolutions by poll

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.

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 during the financial year under review is set out as follows:

Name of Interested Person	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

DEALINGS IN SECURITIES

The Company has in place a policy prohibiting share dealings by officers 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. Directors and employees who are in possession of unpublished material price-sensitive information of the Group should not deal in the Company's securities on short term considerations. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

SUSTAINABILITY REPORT

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 2018 ("FY2018"). The relevant business activities of the Group for FY2018 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 ● Road-shows	● Shareholders' return ● Accuracy and timeliness of disclosure ● Key developments ● Financial results
Employees	● Management meetings ● Internet, news, emails, phone calls ● Social media (i.e. WeChat) ● Seminars, conferences, forums ● Training & Workshops	● 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

Key Stakeholders	Communication Approach	Key Priorities
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

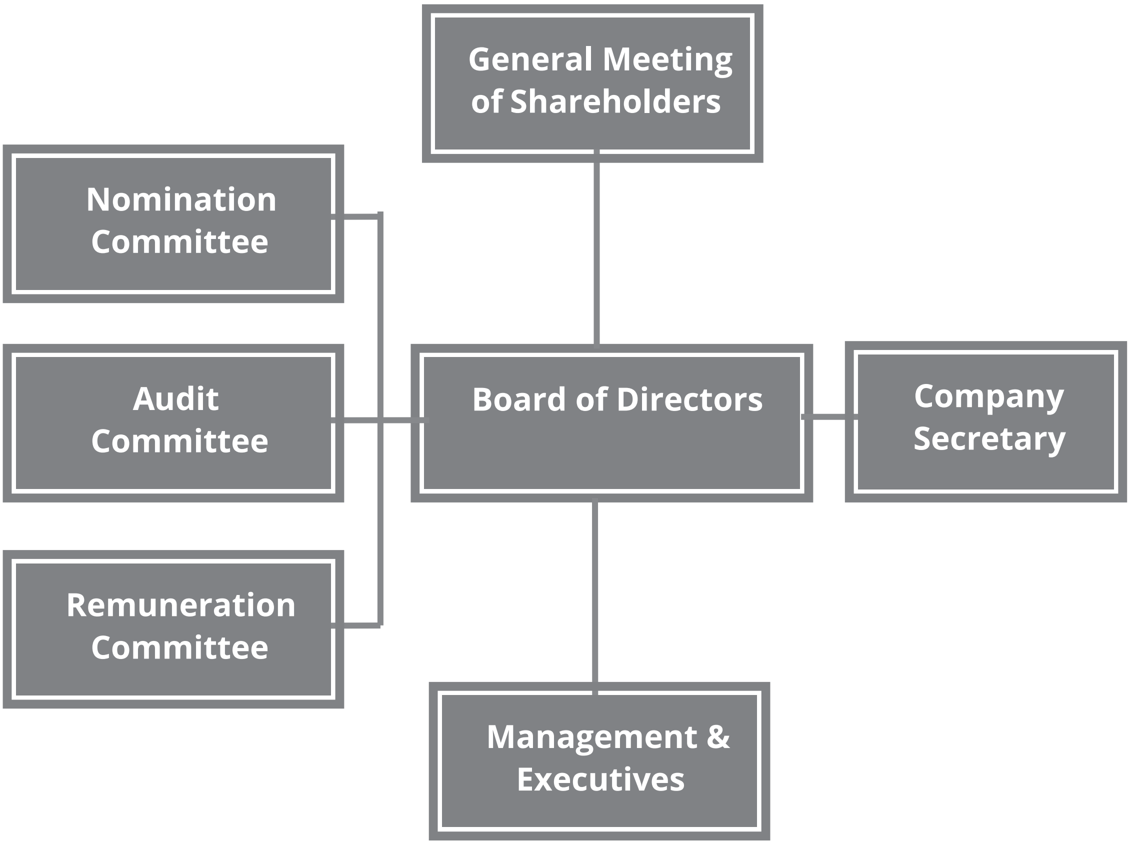
The Board and management identify the material ESG factors by taking into consideration of the relevance of such factors to the business, strategy, business model and key stakeholders of the Group as guided by the GRI reporting framework. The review on material issues will be conducted annually as materiality 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
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 FY2018, 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 FY2018, 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 FY2018, 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 FY2018, 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 during FY2018. 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 FY2018, our electricity consumption was 1,206 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 FY2018, 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 46 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 FY2018, 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.

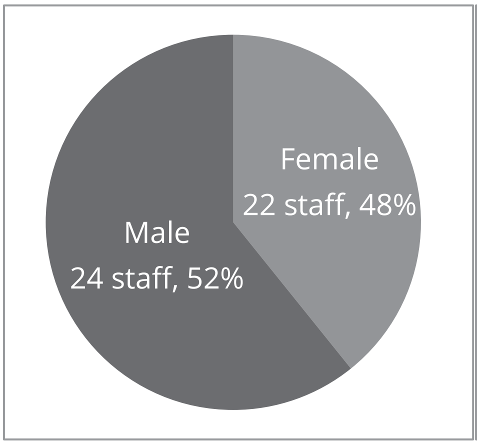
During FY2018, there were no reports of any work related injury and accident or any workers with high incidence or high risk of diseases related to their job occupation within our Group. The Group targets to continue to maintain a zero rate of work related injury and accident record.

SUSTAINABILITY REPORT

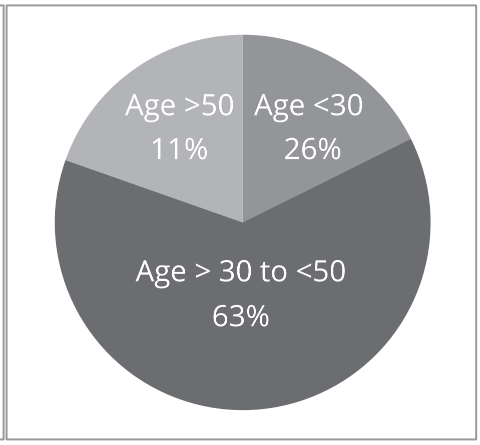
4.3.2 DIVERSITY AND EQUAL OPPORTUNITY

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 2018 Annual Report for the Financial Review and page 3 of the Group's 2018 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 2018 and the statement of financial position and the statement of changes in equity of the Company as at 31 December 2018.

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 45 to 116 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 2018 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 2018	**At 31 December 2018**	**At 1 January 2018**	**At 31 December 2018**
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 (2017: 14,560,000) shares held by his spouse, Mdm Feng Li and the 17,680,000 (2017: 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.

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 2019 were the same at 31 December 2018.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

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 2018 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).

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	**DONG LING LING**
Chief Executive Officer and Executive Director	Executive Director

18 March 2019

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 45 to 116, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, 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 2018 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">Revenue recognition under IFRS 15
Refer to the following notes to the financial statements
Note 3 "Adoption of IFRS 15: Revenue from Contracts with Customers"
Note 3(ii)(a) "Critical judgements in applying the entity's accounting policies"</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Revenue from the Group is solely attributed to revenue from sale of completed properties, which amounted to RMB 41,597,000 for the year ended 31 December 2018, which is accounted for in accordance with IFRS 15 Revenue from contracts with customers (2017: RMB 25,986,000, in accordance with IAS 18 Revenue).

Upon initial adoption of IFRS 15 on 1 January 2018, the Group assessed the impact on the Group's revenue recognition policy, taking into account the contractual arrangements, the Group's business practice and the legal and regulatory environment in which the property sales activities take place.

Based on the transfer-of-control approach in IFRS 15, management has concluded that revenue from sale of completed properties is recognised when all of the following criteria have been met:

1) the sale and purchase agreement has been signed;

2) the full payment is received from the customers and their financier; and

3) the property is ready for handover to the customers, as stipulated in the sale and purchase agreement.

This results in revenue being recognised earlier than previously under IAS 18.

We have identified revenue recognition as a key audit matter in view of its significance to the Group following the adoption of IFRS 15. The impact of the adoption is material to the financial statements. Details of the change are as set out in the Note 3 to the financial statements.</td><td>Our audit procedures included, amongst others:

● Inspected the terms of the standard sale and purchase agreement for sales of completed properties to review the appropriateness of the Group's revised revenue recognition policy, with reference to the requirements of the newly effective IFRS 15.

● Assessed the management's internal controls over revenue recognition in accordance with the policy, by obtaining an understanding of the management's control process.

● Evaluated the design, implementation of operating effectiveness of key internal control over the recording of revenue for sale of completed properties through performing test of controls on a sample basis.

● Obtained and examined, on a sample basis, the payments from customers and their financier, and evidence supporting the point in time when the property is ready for hand-over to the customers, to assess whether the criteria for revenue recognition set out in Note 3 to the financial statements have been met; and

● Reviewed the breakdown of contract liabilities as at 1 January 2018 and 31 December 2018 to ensure that the related revenue had been recognised in the appropriate financial periods, with cumulative adjustment made to accumulated losses as at 1 January 2018 to reflect the effects of recognising revenue from agreements that had met the revised revenue recognition criteria as at 1 January 2018.

Based on the results of our audit procedures performed, we concluded that the revenue recognition policy on sale of completed properties to be appropriate, and had been adhered to in recording the revenue for the financial year.

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

Key Audit Matters (Continued)

Valuation of the investment in the equity interest in Sino Feng *Refer to the following notes to the financial statements* *Note 10(b) "Financial assets, at Fair value through Other Comprehensive Income (FVOCI)"* *Note 3(i)(a) "Critical accounting estimates and assumptions"*	
The key audit matter	***How the matter was addressed in our audit***
During the previous financial year, the Company acquired 40.15% equity interest in Sino Feng Mining International S.àr.l. (the "Sino Feng") and determined that the Company has neither control nor significant influence over Sino Feng. The investment was classified as available-for-sale financial asset as at 31 December 2017 and was measured at cost. Upon initial adoption of IFRS 9 on 1 January 2018, the Company made an irrevocable election to classify this unquoted equity investment as financial asset at fair value through Other Comprehensive Income (FVOCI) as this is a strategic investment to tap into developed iron ore market in South Africa that has the potential to create long term value and returns. The fair value difference on initial adoption of IFRS 9 amounting to RMB18,591,000 was recognised in fair value reserve on 1 January 2018. The carrying amounts of the unquoted equity investment of RMB 78,108,000, at fair value (2017: RMB 70,431,000, at cost) as at 31 December 2018, has represented 49% (2017: 36%) of total assets. Management engaged an external valuer to perform a valuation of the mining project underlying the investment in 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.	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 9; 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.

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.

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

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

- 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

18 March 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

(Amounts in thousands of Chinese Renminbi ("RMB"))

	Note	Group		Company	
		2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	4,364	3,648	10	1
Land use rights	7	47	49	–	–
Subsidiaries	8	–	–	128,200	128,200
Joint ventures	9	–	–	–	–
Available-for-sale financial asset (non-current)	10(a)	–	70,431	–	70,431
Financial assets, at FVOCI	10(b)	78,108	–	78,108	–
Deferred tax assets	21	1,147	1,789	–	–
		83,666	75,917	206,318	198,632
Current assets					
Available-for-sale financial asset (current)	11(a)	–	31,050	–	–
Financial assets, at FVPL	11(b)	16,200	–	–	–
Completed properties for sale	12	17,402	59,353	–	–
Other receivables, deposits and prepayments	13	13,031	4,112	–	–
Amounts due from subsidiaries (non-trade)	14	–	–	–	35,594
Amounts due from related parties (non-trade)	15	–	471	–	471
Amounts due from joint ventures (non-trade)	16(a)	2,645	3,606	–	–
Tax recoverable		69	69	–	–
Pledged bank deposits	18, 34(i)	1,857	5,308	–	–
Cash and cash equivalents	19	25,824	15,675	4,284	317
		77,028	119,644	4,284	36,382
TOTAL ASSETS		160,694	195,561	210,602	235,014

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018
(Amounts in thousands of Chinese Renminbi ("RMB"))

	Note	Group		Company	
		2018	**2017**	**2018**	**2017**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
LIABILITIES					
Current liabilities					
Trade payables		2,872	11,564	–	–
Contract liabilities	27(b)	1,973	43,199	–	–
Accruals and other payables	20	18,107	11,137	1,134	670
Amounts due to subsidiaries (non-trade)	14	–	–	124,065	151,624
Amounts due to related parties (non-trade)	15	520	520	520	520
Amounts due to joint ventures (non-trade)	16(b)	1,434	2,669	–	–
Amounts due to joint ventures partner (non-trade)	17	11	11	–	–
Income tax payable		37,768	37,120	–	–
		62,685	106,220	125,719	152,814
Non-current liability					
Deferred tax liabilities	21	–	–	–	–
TOTAL LIABILITIES		62,685	106,220	125,719	152,814
NET ASSETS		98,009	89,341	84,883	82,200
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Issued capital	22	5,897	5,897	5,897	5,897
Share premium	23	224,594	224,594	224,594	224,594
Treasury shares	24	(18)	(18)	(18)	(18)
Distributable reserve	25	267,600	267,600	267,600	267,600
Capital reserve		49,031	49,031	–	–
Fair value reserve	26	7,677	–	7,677	–
Accumulated losses		(456,772)	(457,763)	(420,867)	(415,873)
TOTAL EQUITY		98,009	89,341	84,883	82,200

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018
(Amounts in thousands of Chinese Renminbi ("RMB"))

	Note	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	27(a)	41,597	25,986
Cost of sales		(20,696)	(16,055)
Gross profit		20,901	9,931
Share of losses of joint ventures	9	(853)	(64)
Selling and distribution expenses		(2,188)	(1,429)
General and administrative expenses		(19,554)	(24,305)
Impairment of financial assets	15	(24)	–
Other income	28	6,887	688
Other expenses	29	(33)	(797)
Finance income	30	44	2,241
Profit / (Loss) before tax	31	5,180	(13,735)
Tax expense	32	(6,098)	(2,280)
Loss for the year		(918)	(16,015)
Other comprehensive loss, net of tax			
Equity investment at FVOCI - net change in fair value	10(b)	(10,914)	–
Total comprehensive loss for the year		(11,832)	(16,015)
Loss attributable to:			
Equity holders of the Company		(918)	(16,015)
Total comprehensive loss attributable to:			
Equity holders of the Company		(11,832)	(16,015)
Loss per share (RMB cents)			
- Basic and diluted	33	(0.63)	(10.92)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018
(Amounts in thousands of Chinese Renminbi ("RMB"))

Group	Attributable to equity holders of the Company							
	Issued capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Distributable reserve RMB'000	Capital reserve [(i)] RMB'000	Fair value reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1.1.2017	5,897	224,594	(18)	267,600	49,031	–	(441,748)	105,356
Loss for the year, representing total comprehensive loss for the year	–	–	–	–	–	–	(16,015)	(16,015)
Balance at 31.12.2017	5,897	224,594	(18)	267,600	49,031	–	(457,763)	89,341
Balance at 1.1.2018	5,897	224,594	(18)	267,600	49,031	–	(457,763)	89,341
Impact of adopting IFRS 15 (Note 3)	–	–	–	–	–	–	2,380	2,380
Impact of adopting IFRS 9 (Note 3)	–	–	–	–	–	18,591	(471)	18,120
Balance at 1.1.2018, adjusted	5,897	224,594	(18)	267,600	49,031	18,591	(455,854)	109,841
Loss for the year	–	–	–	–	–	–	(918)	(918)
Other comprehensive loss, net of tax								
Equity investment in FVOCI - net change in fair value	–	–	–	–	–	(10,914)	–	(10,914)
Balance at 31.12.2018	5,897	224,594	(18)	267,600	49,031	7,677	(456,772)	98,009

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 RMB'000	Share premium RMB'000	Treasury shares RMB'000	Distributable reserve RMB'000	Fair value reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1.1.2017	5,897	224,594	(18)	267,600	–	(385,737)	112,336
Loss for the year, representing total comprehensive loss for the year	–	–	–	–	–	(30,136)	(30,136)
Balance at 31.12.2017	5,897	224,594	(18)	267,600	–	(415,873)	82,200
Balance at 1.1.2018	5,897	224,594	(18)	267,600	–	(415,873)	82,200
Impact of adopting IFRS 9 (Note 3)	–	–	–	–	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 in 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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018
(Amounts in thousands of Chinese Renminbi ("RMB"))

	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit / (Loss) before tax		5,180	(13,735)
Adjustments:			
Amortisation of land use rights	7	2	3
Depreciation of property, plant and equipment	6	1,849	2,130
Gain on disposal of a subsidiary	8	–	(379)
Exchange difference		147	238
Impairment loss on completed properties for sale, net	12, 29	–	64
Write-back of impairment on completed properties for sale, net	12, 28	(256)	–
Impairment loss on amounts due from joint ventures	16(a)	–	159
Impairment loss on amounts due from related parties	29	24	–
Accretion of interest income on other investment	30	–	(1,921)
Interest income	30	(44)	(320)
Property, plant and equipment written off	29	–	38
Loss / (Gain) on disposal of property, plant and equipment	29	26	(43)
Share of losses of joint ventures	9	853	64
Write off of irrecoverable rental deposit	29	–	200
Fair value gain on financial assets, at FVPL	11(b)	(1,558)	–
Operating profit / (loss) before working capital changes		6,223	(13,502)
Completed properties for sale		24,897	7,564
Other receivables, deposits and prepayments		1,028	3,090
Pledged bank deposit		3,451	918
Trade payables		(8,692)	5,041
Contract liabilities		(18,967)	7,663
Accruals and other payables		5,741	2,426
Cash generated from operations		13,681	13,200
Income tax paid		(6,237)	–
Net cash generated from operating activities		7,444	13,200
Cash flows from investing activities			
Advances to joint ventures	5	(1,127)	(208)
Repayment from joint ventures		–	562
Interest received		44	320
Addition of financial assets, at FVPL	11(a,b)	(271,820)	(73,800)
Redemption of financial assets, at FVPL	11(a,b)	288,228	42,750
Purchase of property, plant and equipment		(2,591)	(2,412)
Proceeds from disposal of property, plant and equipment		–	51
Proceeds from disposal of a subsidiary		–	1,000
Payment made to purchase office premise	13(iii),34(iii)	(10,000)	–
Net cash generated from / (used in) investing activities		2,734	(31,737)
Net increase / (decrease) in cash and cash equivalents		10,178	(18,537)
Cash and cash equivalents at beginning of year		15,675	34,407
Exchange difference on cash and cash equivalents		(29)	(195)
Cash and cash equivalents at end of year	19	25,824	15,675

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 8. 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 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 18 March 2019.

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 18 July 2018, following the expiry of the Proposed RTO (as disclosed in Note 2 in 2017 annual report) on 30 June 2018, the Group, save for its shareholding interests in its exploration and mining assets and joint ventures, will no long undertake any business activities related to the exploration, mining and trading (including mining consultancy) of mineral resources.

In the same announcement, the Company stated that it seeks to diversify the Existing Core Business to include a new agriculture business through the 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" and together with its subsidiaries, the "Target Group") 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") at a consideration of S$37,200,000 (equivalent to RMB 186,372,000), which will be satisfied by the issuance and allotment of 143,076,923 new ordinary shares in the capital of the Company at an issue price of S$0.26 per share.

On 11 March 2019, the Company announced that, pursuant to further discussions between the Company and the Seller, the acquisition has been terminated as the parties wish to reconsider the structure of the Proposed Acquisition.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards

On 1 January 2018, 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 15: *Revenue from Contracts with Customers*

IFRS 15 establishes a single comprehensive model in accounting for revenue arising from contracts with customers and will supersede the revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity 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.

The changes in accounting policy are described below:

(A) Timing of revenue recognition

The Group's property development activities are mainly carried out in the People's Republic of China ("PRC"). In assessing the IFRS 15 impact on the Group's revenue recognition, management takes into account the contract terms, the Group's business practice and the legal and regulatory environment in which the property development activities are taken place.

Previously, sales of properties are recognised when the respective properties have been delivered to and accepted by the customers. Under the transfer-of-control approach in IFRS 15, the revenue from property sales will be recognised when the customers obtain control of the properties, i.e. at the point in time when full payment is received from the customers and their financier, and the properties are ready for handover to 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.

Therefore, upon the adoption of IFRS 15, revenue from sale of properties are recognised earlier than previously under IAS 18.

(Amounts in thousands of Chinese Renminbi ("RMB"))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Adoption of IFRS 15: *Revenue from Contracts with Customers* (Continued)

(A) Timing of revenue recognition (Continued)

As allowed by IFRS 15, the Group did not restate corresponding figures for the financial year ended 31 December 2017 and elected to apply this Standard retrospectively by recording a cumulative adjustment to accumulated losses as at 1 January 2018 (which reflects the effects of recognising revenue from agreements that had already met the criteria under the new revenue recognition policy as at 1 January 2018), as follows:

	Amounts without adoption of IFRS 15	Effect of adoption of IFRS 15	As reported under IFRS 15
	RMB'000	RMB'000	RMB'000
Consolidated statement of financial position as at 1 January 2018			
Completed properties for sale	59,353	(17,310)	42,043
Deferred tax assets	1,789	(594)	1,195
Contract liabilities	43,199	(22,259)	20,940
Accruals and other payables	11,137	1,139	12,276
Income tax payable	37,120	836	37,956
Accumulated losses	457,763	(2,380)	455,383

Under the above transition method, the Group only applied the new revenue recognition criteria to the uncompleted contracts as at 1 January 2018, which refers to the agreements for properties sold that has yet to be recognised as revenue because the properties were yet to be delivered to and accepted by the customers.

Amounts included in 'Contract liabilities' was previously included within the caption of "Sales and rental deposits", as disclosed in Note 36 to the financial statements.

Increase in 'Other payables' relates to business and related tax expenses in line with additional revenue recognised.

(Amounts in thousands of Chinese Renminbi ("RMB"))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Adoption of IFRS 15: *Revenue from Contracts with Customers* (Continued)

(A) Timing of revenue recognition (Continued)

Effect of adoption of IFRS 15 on the current year financial statements are detailed below:

	Amounts without adoption of IFRS 15	Effect of adoption of IFRS 15	As reported under IFRS 15
	RMB'000	RMB'000	RMB'000
Consolidated statement of financial position as at 31 December 2018			
Completed properties for sale	38,264	(20,862)	17,402
Deferred tax assets	1,620	(473)	1,147
Contract liabilities	30,823	(28,850)	1,973
Accruals and other payables	16,935	1,172	18,107
Income tax payable	35,876	1,892	37,768

	Amounts without adoption of IFRS 15	Effect of adoption of IFRS 15	As reported under IFRS 15
	RMB'000	RMB'000	RMB'000
Consolidated statement of profit or loss and other comprehensive income for year ended 31 December 2018			
Revenue	35,006	6,591	41,597
Cost of sales	(17,628)	(3,068)	(20,696)
Other income	7,371	(484)	6,887
General and administrative expenses	(19,521)	(33)	(19,554)
Tax expense	(5,163)	(935)	(6,098)
Loss attributable to:			
Equity holders of the Company	(2,989)	2,071	(918)

Decrease in 'Other income' is due to lesser amount of reversal of impairment required for completed properties for sale for the current financial year, after the reversal made as at 1 January 2018 as a result of transfer of completed properties for sale to 'Cost of sales' in a cumulative adjustment to accumulated losses upon initial adoption of IFRS 15.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Adoption of IFRS 15: *Revenue from Contracts with Customers* *(Continued)*

(B) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears. In assessing whether advance payments include a significant financing component, the Group has considered the difference between the length of time between the payment date and the date when the customers obtain control of the properties based on the typical arrangements entered into with the customers.

The Group has elected to apply the optional practical expedient that the Group needs not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, it is expected that the period between when the property is ready for handover to a customer and when the customer pays for the property will be one year or less. Furthermore, in view of the fact that after the full payment by the customer, the timing of the transfer of the property is at the discretion of the customer, management assessed the contract with customers would not have a significant financing component.

(C) Incremental cost of obtaining a contract

The Group pays commission to the sales agents when agreement for sale and purchase is signed with customers and in line with collections from customers. Following the adoption of IFRS 15, the Group considered the sales commission of property sales as incremental costs of obtaining a contract, which can be capitalised as an asset and recognised as an expense when the Group recognises revenue from the property sales. The Group has elected to apply the optional practical expedient to immediately expense sales commissions as incurred, because the Group expects to recognise the revenue within one year.

Adoption of IFRS 9: *Financial instruments*

(A) Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be 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 profit or loss (FVPL)
- Fair value through Other Comprehensive Income (FVOCI) – Debt investments
- FVOCI – Equity investments

IFRS 9 eliminates the previous categories of financial assets, namely loans & receivables (L&R), held-to-maturity (HTM) financial assets and available-for-sale (AFS) financial assets. As allowed by IFRS 9, the Group adopts the classification and measurement categories on 1 January 2018 based on facts and circumstances existed at the date for the determination of the business model, and does not restate comparative information for prior periods. Difference in carrying amounts of financial assets resulting from adoption of IFRS 9 are adjusted to retained earnings and reserve as at 1 January 2018.

(Amounts in thousands of Chinese Renminbi ("RMB"))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Adoption of IFRS 9: *Financial instruments* *(Continued)*

(A) Classification and measurement of financial assets (Continued)

The reconciliation of the change in classification and measurement of financial assets are explained below:

	Note	Classification		Carrying amount at 1.1.2018		Retained earnings adjustment at 1.1.2018
		IAS 39	IFRS 9	IAS 39	IFRS 9	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unquoted equity investment	(a)	AFS (at cost)	FVOCI (Equity)	70,431	89,022	18,591
Financial product investment	(b)	AFS	FVPL	31,050	31,050	–
Amounts due from related parties	(c)	L&R	Amortised cost	471	–	(471)
						18,120

(a) The Group previously classifies unquoted equity investments as AFS which is measured at cost as the fair value cannot be reliably measured. Upon adoption of IFRS 9, at 1 January 2018, the Group elects to designate those investments at FVOCI (Equity) as it represents long-term strategic investments. The Group recognises the differences in carrying amount in fair value reserve on 1 January 2018 (Note 10(b)).

(b) The Group previously classified certain of such investment in financial product that were not held for trading as AFS financial assets. Upon adoption of IFRS 9, the Group mandatorily measures those investments at FVPL (Note 11(b)).

(c) The reduction in carrying amount at 1 January 2018 reflects the increase in allowance for expected credit losses which was recognised in opening retained earnings at 1 January 2018. Details are disclosed in Part (B) (Note 15).

There were no financial assets or financial liabilities which the Group had previously designated as at FVPL under IAS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of IFRS 9. There were no financial liabilities which the Group has elected to designate as at FVPL on 1 January 2018 upon adoption of IFRS 9.

(B) Impairment of financial assets

The "incurred loss" model in IAS 39 was replaced by the "Expected Credit Losses (ECL)" model in IFRS 9, which applies to financial assets measured at amortised costs, FVOCI (debt investment), contract assets and financial guarantee contracts. Impairment loss for trade receivables and contract assets are provided using simplified approach at the life time ECL. For assets within the scope of IFRS 9 impairment model, impairment losses are generally expected to be provided at a higher amount and earlier than what was provided using IAS 39.

(Amounts in thousands of Chinese Renminbi ("RMB"))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Adoption of IFRS 9: *Financial instruments* *(Continued)*

(B) Impairment of financial assets (Continued)

As allowed by IFRS 9, the Group did not restate comparative information for the financial year ended 31 December 2017 in respect changes with respect of classification and measurement (including impairment). Additional impairment resulting from adoption of IFRS 9 are adjusted to accumulated losses as at 1 January 2018. Reconciliation of the movement in impairment loss allowance is as follows:

	Group RMB'000	Company RMB'000
Loss allowance as at 31 December 2017, under IAS 39		
Amount due from subsidiaries (Note 14)	–	1,558
Amount due from joint ventures (Note 16(a))	6,166	–
Other receivables (Note 13)	14,627	–
	20,793	1,558
Additional impairment recognised on 1 January 2018, under IFRS 9		
Amount due from related parties (Note 15)	471	471
Loss allowance as at 1 January 2018, under IFRS 9	21,264	2,029
Recognised during the year (Note 15)	24	24
Reversal during the year (Note 13(ii))	(2,589)	–
Loss allowance as at 31 December 2018, under IFRS 9	18,699	2,053

Loss allowance for financial assets are measured at amortised cost are deducted from the gross carrying amount of the assets.

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
IFRS 16: *Leases*	1 January 2019
IFRIC 23: *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to IFRS 9: *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*	1 January 2019
Annual Improvements to IFRS Standards 2015 - 2017	
- Amendments to IFRS 3 *Business Combinations*	1 January 2019
- Amendments to IFRS 11 *Joint Arrangements*	1 January 2019
- Amendments to IAS 12 *Income Taxes*	1 January 2019
- Amendments to IAS 23 *Borrowing Costs*	1 January 2019
Amendments to IFRS 3: *Definition of a Business*	1 January 2020
Amendments to IAS 1 and IAS 8: *Definition of Material*	1 January 2020
IFRS 17: *Insurance Contracts*	1 January 2021
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)

Except for IFRS 16, IFRIC 23 and Amendments to IAS 10 and IAS 28, the directors expect that the adoption of the new or amended standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of IFRS 16, IFRIC 23 and Amendments to IAS 10 and IAS 28 is described below:

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 leasees, IFRS 16 reforms leasee 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. The Group will apply the new IFRS 16 when it becomes effective in 2019 and will apply the modified retrospective approach for the transition. The Group expects to recognise right-of-use assets and lease liabilities of approximately RMB 5,000,000 for its leases currently classified as operating leases.

IFRIC 23: *Uncertainty over Income Tax Treatments*

The interpretation clarifies that, when there is uncertainty over income tax treatments, an entity considers whether it is probable that the tax authority will accept the entity's tax treatment. When it is probable, an entity determines the accounting tax position consistently with the tax treatment used or planned to be used in the entity's income tax filings. Otherwise, an entity should estimate the effect of uncertainty using either the most likely amount or the expected value method, whichever method better predicts the resolution of the uncertainty. Consistent judgements and estimates should be made for both current tax and deferred tax. The interpretation is effective for annual periods beginning on or after 1 January 2019, which an entity may elect to apply either full retrospectively (without use of hindsight) or modified retrospectively (without restating comparative information).

Amendments to IAS 10 and IAS 28: *Sale of Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments set out that, on a sale or contribution of assets to a joint venture of associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognised depends on whether the assets or subsidiary constitute a business, as defined in IFRS 3 *Business Combinations*. When the assets or subsidiary constitute a business, any gain or loss is recognised in full; otherwise, the entity's share of the gain or loss is eliminated. The amendments are effective for business combinations with acquisition date on or after the beginning of annual periods beginning on or after 1 January 2019. Earlier application is permitted.

The Group will apply these amendments prospectively to any such transaction occurring when the amendments become effective.

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;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(a) Basis of consolidation (Continued)

- 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

(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.

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	3% 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 (From 1 January 2018 onwards)

(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 (From 1 January 2018 onwards) (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

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 2018 and 1 January 2018.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (From 1 January 2018 onwards) (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets (Continued)

Equity investments at FVOCI (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (From 1 January 2018 onwards) (Continued)

(iii) Derecognition (Continued)

Financial assets (Continued)

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.

Impairment of financial assets (From 1 January 2018 onwards)

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 joint ventures, related parties and subsidiaries)

- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (From 1 January 2018 onwards) (Continued)

Significant increase in credit risk (Stage 2)

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 ELC.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (From 1 January 2018 onwards) (Continued)

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.

Financial assets (Before 1 January 2018)

(i) Initial recognition and measurement

Financial assets 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. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

(ii) Subsequent measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and for held-to-maturities investments, re-evaluates this designation at every reporting date. As at 31 December 2017, the Group has financial assets in the categories of financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the short term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial assets designated at fair value through profit or loss are those that are managed and their performance are evaluated on a fair value basis, in accordance with the Group's investment policy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the reporting date.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains and losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Before 1 January 2018) (Continued)

(ii) Subsequent measurement (Continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except those expected to be realised later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables comprise other investment, cash and cash equivalents, pledged bank deposits, other receivables and deposits, including amounts due from subsidiaries, joint ventures and related parties.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Assets in this category are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the reporting date.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are stated at cost less impairment loss.

(iii) Derecognition

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. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Before 1 January 2018)

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

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

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Financial liabilities (Before 1 January 2018)

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. As at 31 December 2017, the Group did not have any financial liabilities in the categories of the financial liabilities at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Before 1 January 2018) (Continued)

(ii) Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when liabilities are derecognised and through the amortisation process.

(iii) Derecognition

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

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.

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

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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.

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.

Policy applicable before 1 January 2018

The initial recognition policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

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

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, which is determined at the point when full payment is received from the customers and their financier, and the properties are ready for handover to customers as stipulated in the sale and purchase agreement.

Sales deposit and instalments received from customers prior to this stage 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 32 to be adequate.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 detail in Note 10(b) to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgments (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(b) Carrying amounts of completed properties for sale

The aggregate carrying amount of these properties amounting to RMB 17,402,000 (2017: RMB 59,353,000) are stated at lower of cost and net realisable value. The details of each type of property are disclosed in Note 12.

The determination of net realisable value for each property type is based on the contracted price in the bundled sale agreement (as disclosed in "Critical Judgement" in this note). If the agreement is not eventually completed, it can potentially impact the carrying amounts of respective properties in the next financial year.

(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.

Included in the total assets of the Group as at 31 December 2018 was other receivables with carrying amount of RMB 1,051,000 (2017: RMB 3,174,000), which was stated after allowance made for impairment loss amounting to RMB 12,038,000 (2017: RMB 14,627,000). The factors considered by the management in individually determining that these balances were impaired are disclosed in Note 13(i) and (ii). 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 amounts due from joint ventures

As disclosed in Note 16(a), the carrying amounts of amounts due from joint ventures of RMB 2,645,000 (2017: RMB 3,606,000) is stated after an impairment loss of RMB 6,166,000 (2017: RMB 6,166,000).

Adoption of expected credit loss model under IFRS 9 has no material impact on credit exposure on net amount due from join ventures of RMB 1,211,000 (2017: RMB 937,000). The factors considered by management in determining the impairment on the net amount due from joint ventures are disclosed in Note 16(a).

(e) 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 2018, the total carrying amount of investment in subsidiaries is RMB 128,200,000 (2017: RMB 128,200,000), after net of impairment of RMB 464,334,000 (2017: RMB 464,334,000).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgments (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(e) Impairment of investment in subsidiaries (Continued)

Nice Rhythms Limited who hold joint ventures (with interest in Xinjiang iron ore mine) was fully impaired since 2015. Impairment might be reversed should there be material compensation or resettlement from the government relating to the revocation of the exploration and mining right on the Xinjiang mine (as disclosed in Note 9).

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 124,065,000, its liquid assets and net assets position.

(f) 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. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax in the period in which such determination is made. The carrying amount of the Group's CIT payable at the end of the reporting period was approximately RMB 40,926,000 (2017: RMB 38,083,000).

Land Appreciation Tax ("LAT")

The Group is subject to Land Appreciation Tax ("LAT") in the PRC. However, the Group has not finalised its LAT calculation and payments with the local tax authorities in the PRC. Accordingly, significant judgement is required in estimating the allowable deductible expenses which will affect the calculation of the land appreciation amount and its related LAT. The Group recognised LAT based on management's best estimates according to understanding of the tax rules. If the estimated allowable deductible expenses increases / decreases by 5% (2017: 5%) from management's estimates, the Group expects the accumulated LAT expenses up to 31 December 2018 will decrease / increase by approximately RMB 3,521,000 (2017: RMB 6,047,000). The carrying amount of the Group's LAT recoverable at the end of the reporting period was approximately RMB 3,158,000 (2017: RMB 963,000). The carrying amount of the LAT recoverable was included in the CIT payable balance as at 31 December 2018.

Deferred tax assets not recognised

The Group has tax losses carried forward amounting to RMB 22,128,000 (2017: RMB 14,498,000). 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 carrying value of recognised tax losses as at 31 December 2018 was RMB Nil (2017: Nil) and unrecognised tax losses as at 31 December 2018 was RMB 22,128,000 (2017: RMB 14,498,000). The expiry dates of such tax losses are disclosed in Note 21.

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 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. 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 sale agreement

On 1 January 2018, the Group entered into a property sale agency agreement with a third-party company, Xinxiang FuRunDe Property Agency Pte Ltd ("FRD") to engage FRD to act as sales and marketing agent for the Group's remaining unsold completed properties. Subsequently in July 2018, the Group entered into an agreement with FRD to sell all remaining unsold properties to it as a bundle, for a total price of RMB 16.8 million. The Group has collected a non-refundable deposit of RMB 0.5 million and the first partial payment of RMB 8 million by end of July 2018. However, the final payment due on 31 December 2018 remains unpaid as at the date of this report. Based on the bundled sale agreement, the Group is to issue invoice to the end customers being the individual buyers of the properties, however, FRD has not provided such names to the Group, and hence the Group has yet to fulfil its performance obligation to deliver the properties concerned under this sales arrangement. The agreement provides that in the event of default by FRD, the Group is entitled to retain the non-refundable deposit of RMB 0.5 million. As at the date of this report, the Group is in negotiation with FRD regarding the completion of this agreement.

Based on the facts and circumstances, and the nature of the counterparty, at contract inception and at reporting date, the Group has assessed that the probable collection criteria is not met. In accordance with IFRS 15, amount received of RMB 8.5 million is recognised as a liability (Note 20(iii)) and cannot be recognised as revenue until either the contract is completed or terminated and the amount received is non-refundable.

Despite on-going negotiation and the Group's intention to complete the bundled sales transactions, the Group was informed by FRD that they are most likely unable to fulfill their contractual obligation to complete the bundled sales. Accordingly, the first partial payment of RMB 8 million described as refundable deposit in Note 20(iii) has been classified as financial liability to reflect the possibility that, 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.

(Amounts in thousands of Chinese Renminbi ("RMB"))

4. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets				
Loans and receivables	–	28,582	–	36,382
Available-for-sale financial assets	–	31,050	–	–
Financial asset, at fair value through profit or loss ("FVPL")	16,200	–	–	–
Financial assets at amortised cost	31,703	–	4,284	–
	47,903	59,632	4,284	36,382
Financial liability				
Financial liabilities at amortised cost	19,464	24,145	125,719	152,814

Financial risk management objectives and policies

(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"))

4. **FINANCIAL INSTRUMENTS (Continued)**

Financial risk management objectives and policies (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	Renminbi	United States dollar	Hong Kong dollar	Singapore dollar	Total
2018	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**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	13,568	–	–	1,059	14,627
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
	18,405	–	–	1,059	19,464
Net financial assets / (liabilities)	25,084	3,896	142	(683)	28,439
Less: Net financial assets denominated in the respective entities' functional currency	(25,084)	–	–	–	(25,084)
Foreign currency exposure	–	3,896	142	(683)	3,355

(Amounts in thousands of Chinese Renminbi ("RMB"))

4. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2017	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	3,513	–	9	–	3,522
Amounts due from related parties (non-trade)	–	471	–	–	471
Amounts due from joint ventures (non-trade)	3,606	–	–	–	3,606
Cash and cash equivalents	15,064	210	201	200	15,675
Pledged bank deposits	5,308	–	–	–	5,308
Available-for-sale financial asset (current)	31,050	–	–	–	31,050
	58,541	681	210	200	59,632
Financial liabilities					
Trade payables	11,564	–	–	–	11,564
Accrual and other payables	9,170	–	–	211	9,381
Amounts due to related parties (non-trade)	520	–	–	–	520
Amounts due to joint ventures (non-trade)	2,669	–	–	–	2,669
Amounts due to joint ventures partner (non-trade)	11	–	–	–	11
	23,934	–	–	211	24,145
Net financial assets / (liabilities)	34,607	681	210	(11)	35,487
Less: Net financial assets denominated in the respective entities' functional currency	(34,607)	–	–	–	(34,607)
Foreign currency exposure	–	681	210	(11)	880

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"))

4. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company 2018	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	–	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
2017					
Financial assets					
Amounts due from subsidiaries (non-trade)	35,594	–	–	–	35,594
Amounts due from related parties (non-trade)	–	471	–	–	471
Cash and cash equivalents	–	95	75	147	317
	35,594	566	75	147	36,382
Financial liabilities					
Accruals and other payables	469	–	–	201	670
Amounts due to subsidiaries (non-trade)	151,624	–	–	–	151,624
Amounts due to related parties (non-trade)	520	–	–	–	520
	152,613	–	–	201	152,814
Net financial (liabilities) / assets	(117,019)	566	75	(54)	(116,432)
Less: Net financial liabilities denominated in the Company's functional currency	117,019	–	–	–	117,019
Foreign currency exposure	–	566	75	(54)	587

(Amounts in thousands of Chinese Renminbi ("RMB"))

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% (2017: 3%) strengthening and weakening in the relevant foreign currencies against the Renminbi. 5% (2017: 3%) 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% (2017: 3%) change in foreign currency rates.

If the relevant foreign currencies weaken by 5% (2017: 3%) against the Renminbi, loss for the year will increase / (decrease) by:

	United States dollar impact		Hong Kong dollar impact		Singapore dollar impact	
	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
Loss for the year	146	15	5	5	(26)	–
Company						
Loss for the year	193	17	5	2	(36)	(2)

A 5% (2017: 3%) 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 18), 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 19), financial assets, at FVPL (Note 11(b)) and pledged bank deposits (Note 18) of the Group are placed with reputable financial institutions in Singapore, PRC and Hong Kong.

(Amounts in thousands of Chinese Renminbi ("RMB"))

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 13)	Amount due from joint ventures RMB'000 (Note 16(a))	Amount due from related parties RMB'000 (Note 15)
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 (Note 13(ii))	(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	–

General 3-stages approach is applied in the ECL assessment of the above financial assets. Upon initial application of IFRS 9, management is of 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 1 January 2018 and 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 18 and 19), and rental and other deposits (Note 13).

(Amounts in thousands of Chinese Renminbi ("RMB"))

4. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Credit risk (Continued)

Expected credit losses model under IFRS 9 (Continued)

As at 31 December 2018, other than as disclosed elsewhere and in Note 34(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 16,246,000 (2017: RMB 18,584,000) (Note 19) and pledged deposits (Note 18) are placed with 2 (2017: 1) of the 4 largest state-owned commercial banks in PRC.

- Investment in financial products classified as financial assets, at FVPL (Note 11(a) and (b)) amounted to RMB 16,200,000 (2017: "available-for-sale financial asset" amounted to RMB 31,050,000) are invested with one of the top 20 commercial banks in 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 34(i) on the details of nature of guarantees and the assessment.

Credit risk information for Financial Year 2017 under IAS 39

Credit risk arises mainly from the inability of the Group's debtors to make repayments when due. Except as disclosed in Note 13 and 16(a), the amounts presented in the consolidated statement of financial position as at 31 December 2017 are not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Further details of credit risks on other receivables and amounts due from joint ventures, including the concentration and the factors considered in determining the impairment individually are disclosed in Note 13 and 16(a) respectively.

(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.

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
<u>Repayable on demand or within 1 year</u>				
Non-interest-bearing liabilities	10,793	23,276	125,719	152,814
Financial guarantee issued (Note 34(i)), net of bank deposits pledged	32,988	94,151	–	–
	43,781	117,427	125,719	152,814

(Amounts in thousands of Chinese Renminbi ("RMB"))

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 2017.

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:

		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Group				
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
2017				
Available-for-sale financial assets (current)				
- Financial product investment	(b)	–	31,050	–
		–	31,050	–

(Amounts in thousands of Chinese Renminbi ("RMB"))

4. FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments (Continued)

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

Fair value hierarchy (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 are disclosed in Note 10(b).

(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 11(b)) (2017: "available-for-sale financial asset" (Note 11(a)).

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	
	2018	**2017**
	RMB '000	**RMB '000**
Financial assets, at FVOCI (Note 10(b))		
At the beginning of year (upon adoption of IFRS 9)	89,022	–
Fair value loss recognised in other comprehensive income	(10,914)	–
At end of the year	78,108	–

There has been no financial instrument transfer from Level 1 and Level 2 to Level 3 during financial year ended 31 December 2018 and 2017.

(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 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

As at 31 December 2017, the Group previously classified the investment in unquoted equity investment in corporation as "available-for-sale financial asset" (Note 10(a)) which was carried at cost as its fair value cannot be reliably assessed or measured in accordance with IAS 39. Upon adoption of IFRS 9 on 1 January 2018, the investment was classified as "financial assets, at FVOCI" (Note 10(b)) and measured at fair value.

(Amounts in thousands of Chinese Renminbi ("RMB"))

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.

The Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, non-interest bearing and repayable on demand.

Significant transactions with the entities jointly controlled by a director of the Company and a close member of his family.

	Group	
	2018	**2017**
	RMB '000	**RMB '000**
Advances to joint ventures	1,127	208

The balance arising from the above transaction and the amount of impairment recognised are disclosed in Note 16(a) - Amounts due from joint ventures (non-trade).

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

	Group	
	2018	**2017**
	RMB '000	**RMB '000**
Short-term benefits	3,675	4,413
Post-employment benefits (defined contribution)	131	228
	3,806	4,641

(Amounts in thousands of Chinese Renminbi ("RMB"))

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 1.1.2017	220	15,781	3,471	5,030	24,502
Additions	–	1,867	46	499	2,412
Disposals	–	–	(3)	(203)	(206)
Write off	–	(13,245)	(883)	–	(14,128)
Disposal of a subsidiary	–	(1,600)	(838)	–	(2,438)
As at 31.12.2017	220	2,803	1,793	5,326	10,142
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
Accumulated depreciation					
As at 1.1.2017	147	14,553	2,659	2,697	20,056
Charge for the year	10	996	369	755	2,130
Disposals	–	–	(1)	(197)	(198)
Write off	–	(13,245)	(845)	–	(14,090)
Disposal of a subsidiary	–	(916)	(488)	–	(1,404)
As at 31.12.2017	157	1,388	1,694	3,255	6,494
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
Net carrying value					
As at 31.12.2018	52	2,788	185	1,339	4,364
As at 31.12.2017	63	1,415	99	2,071	3,648

(Amounts in thousands of Chinese Renminbi ("RMB"))

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost		
As at 1.1.2017 and 31.12.2017	18	18
As at 1.1.2018	18	18
Additions	11	11
Disposals	(4)	(4)
As at 31.12.2018	25	25
Accumulated depreciation		
As at 1.1.2017	16	16
Charge for the year	1	1
As at 31.12.2017	17	17
As at 1.1.2018	17	17
Charge for the year	1	1
Disposals	(3)	(3)
As at 31.12.2018	15	15
Net carrying value		
As at 31.12.2018	10	10
As at 31.12.2017	1	1

7. LAND USE RIGHTS

	Group	
	2018 RMB'000	2017 RMB'000
Net carrying value		
At beginning of year	49	52
Amortisation	(2)	(3)
At end of year	47	49

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 2018, amortisation of RMB 2,000 (2017: RMB 3,000) has been charged to profit or loss.

(Amounts in thousands of Chinese Renminbi ("RMB"))

8. SUBSIDIARIES

	Company	
	2018	2017
	RMB'000	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		
At beginning of the year	(464,334)	(440,183)
Addition [(iii)]	–	(24,151)
At end of year	(464,334)	(464,334)
	128,200	128,200
Represented by:		
Investment in Elegant Jade [(iii)]	128,200	128,200

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 2018 and 2017 represents investment in Elegant Jade. As disclosed in Note 3, the investment in Elegant Jade is not further impaired during the financial year.

Particulars of the Company's subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group	
			2018	2017
			%	%
Held by the Company				
Elegant Jade Enterprises Limited ("Elegant Jade") [(i)]	Investment holding	British Virgin Islands	100	100
Nice Rhythms Limited ("Nice Rhythms") [(i)]	Investment holding	British Virgin Islands	100	100
China Mining Singapore Pte. Ltd. [(ii)]	Mining consultancy and investment holding	Singapore	100	100

(Amounts in thousands of Chinese Renminbi ("RMB"))

8. SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group	
			2018	2017
			%	%
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 (iii)	Property development and investment holding	PRC	100	–

Notes:

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

(ii) Audited by Prudential Public Accounting Corporation for statutory purpose and reviewed by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidation financial statements.

(iii) Incorporated in the current financial year.

9. JOINT VENTURES

	Group	
	2018	2017
	RMB'000	RMB'000
Cost of investments in joint ventures	241,186	350,000
Share of post-acquisition losses	(3,081)	(2,228)
Deemed contribution in joint ventures (Note 16(a))	995	142
Impairment loss	(239,100)	(347,914)
	–	–

Current year's losses 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 853,000 (2017: RMB 64,000) for the year is applied against deemed contribution reclassified from the amounts due from joint ventures (Note 16(a)).

(Amounts in thousands of Chinese Renminbi ("RMB"))

9. JOINT VENTURES (Continued)

Details of the Group's joint ventures at 31 December 2018 and 2017 are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2018 %	2017 %
Held by Nice Rhythms				
Tian Cheng Holdings Limited ("Tian Cheng")	Investment holding	British Virgin Islands	50	50
Held by Tian Cheng, directly and indirectly				
Zhengzhou Jing Wei Trading Co., Ltd	Investment holding	PRC	50	50
Zhengzhou Bidi Trading Co., Ltd	Investment holding	PRC	50	50
Xinjiang Feng Shuo Mineral Resources Co., Ltd ("Feng Shuo")	Exploration and mining	PRC	50	50
Zhengzhou Mai Yong Trading Co., Ltd [(i)] ("Mai Yong")	Investment holding	PRC	–	50
Luan Chuan County Zhong Tian Mineral Resources Co., Ltd [(i)] ("Luan Chuan")	Exploration and mining	PRC	–	49.9

Notes:

(i) Disposed in the current financial year.

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.

The following table summarises financial information of the joint ventures based on its consolidated financial statements modified for fair value adjustment on acquisition:

	2018 RMB'000	2017 RMB'000
Non-current assets*	522,523	767,186
Current assets	3,576	1,454
Current liabilities	(49,889)	(73,096)

* Including fair value adjustment on iron ore mines amounting to RMB 484,348,000, which has reduced as compared to prior year end (2017: RMB 701,954,000) as a result of disposal of Mai Yong and Luan Chuan during the current year.

(Amounts in thousands of Chinese Renminbi ("RMB"))

9. JOINT VENTURES (Continued)

The above amounts of assets and liabilities include the following:

	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	3,093	935
Current financial liabilities (excluding trade and other payables and provisions)	(70)	(13)
Revenue	–	–
Expenses / Net losses for the year, representing the total comprehensive loss	(1,705)	(129)

The above loss for the year includes the following:

	2018 RMB'000	2017 RMB'000
Loss on disposal of subsidiaries	(1,421)	–
Depreciation	(3)	(3)
Interest income	3	2

Reconciliation of the above summarises financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

	2018 RMB'000	2017 RMB'000
Net assets of the joint ventures (including fair value adjustment)	476,210	695,544
Proportion of the Group's ownership interest in the joint ventures	50%	50%
	238,105	347,772
Accumulated impairment loss	(239,100)	(347,914)
Deemed contribution in joint ventures (Note 16(a))	995	142
Carrying amount	–	–

<u>Impairment:</u>

Feng Shuo has been fully impaired since 2015 due to depressed iron ore prices over the past few years.

Development during the year:

During the current year, in light of current geological environment protection measures initiated by the Ministry of Environmental Protection in Xinjiang Province, the PRC, Feng Shuo has received an order from Xinjiang Land Resources Bureau commanding the entity to shut down the mine and restore the land back to a normal state. Consequently, Feng Shuo has engaged a professional firm to conduct land recovery work and ecological and environmental restoration actions, which has been completed and certified by the Xinjiang Land Resources Bureau in June 2018.

The above tantamount to a revocation of exploration and mining right for the Xinjiang mine. As at the date of this report, Feng Shuo has not received any further update from the government on the plan of compensation or resettlement. There has also not been observable precedent on compensation. In view of the uncertainty, the management is of the view that the recoverable amount of investment in joint ventures remains as zero as at 31 December 2018.

(Amounts in thousands of Chinese Renminbi ("RMB"))

10(a). AVAILABLE-FOR-SALE FINANCIAL ASSET (NON-CURRENT)

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
At beginning of the year	70,431	–	70,431	–
Reclassification at 1 January 2018 upon initial adoption of IFRS 9 (Note 10(b))	(70,431)	–	(70,431)	–
Acquisition of unquoted equity investment	–	70,431	–	70,431
At end of the year	–	70,431	–	70,431

Particulars of the Group's and Company's unquoted equity investment as at 31 December 2018 is as follows:

Unquoted investment	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interests	
			2018	2017
			%	%
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 prospecting 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 5,297,000) and provision of mining programme and surveyed plan.

Upon initial adoption of IFRS 9, the investment has been reclassified to "financial assets, at FVOCI" on 1 January 2018 (Note 10(b)).

(Amounts in thousands of Chinese Renminbi ("RMB"))

10(b). FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

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

At initial adoption of IFRS 9, 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. This investment was reclassified from "available-for-sale financial assets" (Note 10(a)) under IAS 39.

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 2018. 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 2022 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:

	Group and Company		Inter-relationship between input and fair value
	31 December 2018	1 January 2018	
Saleable product	89 million tonnes	89 million tonnes	Positive
Selling price of per tonne of iron ore *	USD 70.09 – 76.20	USD 69.87 – 75.95	Positive
Operating expenditure	USD 34 / tonne	USD 34 / tonne	Inverse
Capital expenditure	USD 287 million	USD 287 million	Inverse
Discount or weighted average cost of capital rate	10.0%	10.0%	Inverse
Contingency allowance	15.0%	15.0%	Inverse
Minority discount	25.0%	25.0%	Inverse
Exchange rate (USD:RMB)	6.8632	6.5342	Positive

* Based on forecast iron ore price for the next 30 years derived from binomial model, with a constant growth rate of 0.32% per annum.

(Amounts in thousands of Chinese Renminbi ("RMB"))

10(b). FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) (Continued)

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)

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 2018 is measured at RMB 78,108,000. The assessment of fair value as at 1 January 2018 (date of initial adoption of IFRS 9) is performed by the Group's finance department and operations team by reference to the same set of discounted cash flows model performed by the valuer. The Group and the Company recognised a fair value loss amounting to 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 iron ore price derived from binomial model;
- 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 FVOCI as at 31 December 2018 if the key assumptions (selling price or discount rate) deviate in respect of 1% and 0.5% 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 70.80-76.96 / tonne	84,060,000	5,952,000
0%	USD 70.09-76.20 / tonne	78,108,000	–
-1%	USD 69.39-75.43 / tonne	72,139,000	(5,969,000)

Absolute change in discount rate	Applied discount rate	Fair value of FVOCI (RMB)	Increase / (Decrease) in fair value changes (RMB)
+0.5%	10.5%	66,733,000	(11,375,000)
0%	10%	78,108,000	–
-0.5%	9.5%	90,375,000	12,267,000

It would result in similar impact on the fair value of FVOCI as at 1 January 2018 if the key assumptions deviate by the same percentage on the basis that all other inputs remained constant.

(Amounts in thousands of Chinese Renminbi ("RMB"))

11(a). AVAILABLE-FOR-SALE FINANCIAL ASSET (CURRENT)

	Group	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	31,050	–
Reclassification at 1 January 2018 upon initial adoption of IFRS 9 (Note 11(b))	(31,050)	–
Additions	–	73,800
Redemption	–	(42,750)
At end of the year	–	31,050

In prior year, the Group invested in non-principal protected financial products with a top 20 commercial banks in the People's Republic of China. The investment does not have any fixed maturity term and coupon interest rates or yield return. For those investment redeemed during the prior year, the yield earned was ranging from 3.3% to 4.2% per annum, amounting to approximately RMB 187,000 included in interest income (Note 30).

As the financial product is non-principal-protected with variable returns, which is held by the Group for investment purposes, the Group has designated these investments as "available-for-sale financial asset" as at 31 December 2017. Upon the adoption of IFRS 9, the investment in non-principal protected financial products has been reclassified to "financial assets, at FVPL" on 1 January 2018 (Note 11(b)).

11(b). FINANCIAL ASSET 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
	2018
	RMB'000
At beginning of the year	–
Reclassification at 1 January 2018 upon initial adoption of IFRS 9 (Note 11(a))	31,050
Addition	271,820
Redemption	(288,228)
Changes in fair value recognised in profit or loss (Note 28)	1,558
At end of the year	16,200
Representing:	
- Non-principal protected financial products	16,200

For those investment redeemed during the year, the yield earned was ranging from 2.9% to 4.3% per annum (2017: 3.3% to 4.2% per annum), amounting to approximately RMB 1,558,000 included in "Other income" (Note 28).

This investment is non-principal-protected with variable returns are mandatorily measured at FVPL in accordance with IFRS 9, which were reclassified from "available-for-sale financial assets" on 1 January 2018 (Note 11(a)).

(Amounts in thousands of Chinese Renminbi ("RMB"))

12. COMPLETED PROPERTIES FOR SALE

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
At cost	21,990	66,574
Less: Accumulated impairment loss	(4,588)	(7,221)
	17,402	59,353
Carrying amount represent net realisable value of:		
Townhouse units	13,787	42,384*
Commercial units	3,615	6,933*
Condominium units	–	8,875
Basement units	–	1,161
	17,402	59,353

* At cost, as at 31 December 2017

Out of the carrying amount as at 31 December 2018, properties amounting to RMB 1,904,000 and RMB 14,858,000 relates to properties for which agreements had been signed with individual buyers and with FRD in the bundled sale agreement (Note 20(iii)) respectively.

The cost of completed properties recognised as expenses and included in "Cost of sales" amounted to RMB 20,696,000 (2017: RMB 16,055,000).

Movement of impairment loss on completed properties for sale:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
At beginning of the year	7,221	7,157
Impact of adopting IFRS 15 (Note 3)	(2,377)	–
Charge for the year	932	650
Write-back for the year	(1,188)	(586)
Net (write-back) / impairment (Note 28 / 29)	(256)	64
At end of the year	4,588	7,221
<u>Accumulated impairment loss at the end of the year represents:</u>		
Basement units	3,656	6,571
Condominium units	–	650
Commercial units	450	–
Townhouse units	482	–
	4,588	7,221

(Amounts in thousands of Chinese Renminbi ("RMB"))

12. COMPLETED PROPERTIES FOR SALE (Continued)

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 on commercial and townhouse units amounting to RMB 932,000 due to agreed contractual price in the bundled sales agreement (Note 20(iii)) of remaining units being lower than cost.

2017

The Group has recognised a net impairment loss amounting to RMB 64,000 arising from:

(a) Reversal relating to basement units amounting to RMB 586,000, based on the actual sales made and contracts entered into during the financial year ended 31 December 2017; and

(b) An impairment loss on condominium units amounting to RMB 650,000 due to agreed contractual price of certain units being lower than cost.

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) 2018	Gross floor area (square metre) 2017
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	29,747	39,718

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group 2018 RMB'000	Group 2017 RMB'000
Advances to staff	20	116
Other receivables (i) (ii)	13,089	17,801
Less: Allowance for impairment	(12,038)	(14,627)
	1,051	3,174
Prepayment (iii)	10,013	13
Rental deposits (iv)	245	171
Prepaid business and related tax	516	112
Prepaid rental (iv)	1,069	409
Other deposits	61	61
Prepaid construction costs	56	56
	13,031	4,112

(Amounts in thousands of Chinese Renminbi ("RMB"))

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes:

The impairment loss as at 31 December 2018 of RMB 12,038,000 (2017: RMB 14,627,000) comprise the following balance:

(i) Included in the other receivables (gross) as at 31 December 2018 was an amount of RMB 12,038,000 (2017: 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) As at 31 December 2017, included in other receivables (gross) is an amount owing from a third party, Henan Luopu Yubo Zhiye Co., Ltd ("Henan Luopu") (河南洛浦豫博置业有限公司), of RMB 5,000,000 which was claimed and awarded under an arbitration proceeding in 2010. The amount owing from Henan Luopu of RMB 5,000,000 has been fully recovered during the current financial year. As a result, the impairment of RMB 2,589,000 recognised in previous years has been written back in current year and recorded as "Other income (Note 28). At the same time, the balance of RMB 2,411,000 owing to the related party of Henan Luopu included in other payables (Note 20(i)) has been written off and recorded as "Other income" (Note 28).

(iii) Included in the prepayment as at 31 December 2018 was an amount of RMB 10,000,000 (2017: Nil) 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 34(iii)).

(iv) The rental paid in advance and rental deposit as at 31 December 2018 relate to the current corporate office located in Henan, PRC.

14. AMOUNTS DUE FROM / (TO) SUBSIDIARIES (NON-TRADE)

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

On 1 January 2018, the Company and its subsidiaries has executed a tri-party agreement to offset the carrying amounts due from / (to) subsidiaries on the Company's books. The net balance represents as amounts due to subsidiaries on the statement of financial position on 31 December 2018, as a result of the legally enforceable right to set off and the management intention to settle them on a net basis.

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

	Group and Company	
	2018	2017
	RMB'000	RMB'000
Amounts due from related parties (i)	495	471
Less: Allowance for impairment		
At beginning of the year, upon initial adoption of IFRS 9	(471)	–
Addition	(24)	–
At end of the year	(495)	–
	–	471
Amounts due to related parties (ii)	(520)	(520)

(Amounts in thousands of Chinese Renminbi ("RMB"))

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

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:

The amount due from related parties arose from expenses paid on behalf with regards to RTO (as disclosed in Note 2 in 2017 annual report). No allowance was made as at 31 December 2017 as there was no change in credit quality and the amount was considered recoverable.

On 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 the RTO (Note 2). 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 current year.

16(a). AMOUNTS DUE FROM JOINT VENTURES (NON-TRADE)

	Group	
	2018 RMB'000	2017 RMB'000
Amounts due from joint ventures (non-trade)	9,806	9,914
Deemed contribution in joint ventures (Note 9)	(995)	(142)
	8,811	9,772
Less: Allowance for impairment		
At beginning of the year	(6,166)	(6,007)
Addition (Note 31)	–	(159)
At end of the year	(6,166)	(6,166)
	2,645	3,606

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

Impairment:

The Group assess the net credit exposure in a net basis comprising:

	Group	
	31 December 2018 RMB'000	1 January 2018 RMB'000
Amounts due from joint ventures	2,645	3,606
Amounts due to joint ventures	(1,434)	(2,669)
	1,211	937

(Amounts in thousands of Chinese Renminbi ("RMB"))

16(a). AMOUNTS DUE FROM JOINT VENTURES (NON-TRADE) (Continued)

During the previous financial year, the management performed an impairment test for the amounts due from joint ventures and the Group has recognised an impairment loss of RMB 159,000 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.

On 24 February 2019, the joint venture partner has committed to an instalment plan to repay the Company for the net outstanding amount in 3 instalments by 31 December 2019 and has paid first instalment in March 2019 in accordance to the plan.

Taking into account the instalment plan, the Group has calculated the ECL based on probability-weighted scenarios of future contributions by joint venture partner and has determined that there is no material ECL beyond the RMB 6,166,000 provided.

16(b). AMOUNTS DUE TO JOINT VENTURES (NON-TRADE)

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

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

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

18. 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% (2017: 0% to 0.3%) per annum. The pledged bank deposits will be released upon the issuance of ownership certificates.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Cash at bank	25,686	15,542	4,244	317
Cash on hand	138	133	40	–
Cash and cash equivalents per consolidated statement of cash flows	25,824	15,675	4,284	317

As at 31 December 2018, the Group has cash and cash equivalents placed with banks in the People's Republic of China denominated in RMB amounting to approximately RMB 21,333,000 (2017: RMB 14,954,000). 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.

(Amounts in thousands of Chinese Renminbi ("RMB"))

20. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Other payables				
- Construction cost payables	1,231	1,231	–	–
- Others [i]	2,293	4,531	–	–
Accrued expenses				
- Accrued business and related taxes	2,226	1,200	–	–
- Other accrued expenses [ii]	2,067	2,385	1,134	670
Deposits				
- Refundable deposits received in advance [iii]	9,036	1,036	–	–
- Non-refundable deposits received in advance [iii]	1,254	754	–	–
	18,107	11,137	1,134	670

Notes:

(i) As at 31 December 2017, included in other payables is an amount of RMB 2,411,000 which represents an amount owing to a third party which can be offset against a receivable amount from Henan Luopu that was a subject of an arbitration proceeding as disclosed in Note 13(ii). During the current year, the full amount of receivable has been collected, hence the payable balance has been written off (Note 28).

(ii) Other accrued expenses of the Group and the Company include directors' fees payable amounting to RMB 380,000 (2017: RMB 200,000), accrued sales commission and bonus amounting to RMB 33,000 and Nil (2017: RMB 400,000 and RMB 301,000) respectively.

(iii) As at 31 December 2018, included in non-refundable deposit and refundable deposit are amounts of RMB 500,000 and RMB 8,000,000 respectively, which are collected under a bundled sales agreement of the Group's remaining unsold completed properties. The refundable deposit of RMB 8,000,000 has been classified as financial liability in accordance with the judgement exercised by management on the possibility of refund, as disclosed in Note 3.

21. DEFERRED TAX ASSETS / (LIABILITIES)

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

	Deferred tax assets		Deferred tax liabilities	Total
	Unutilised tax losses	Impairment on completed properties for sale	Other investment [i]	
	RMB'000	RMB'000	RMB'000	RMB'000
At 1.1.2017	878	1,789	(878)	1,789
Charge to profit or loss for the year	(878)	–	878	–
At 31.12.2017	–	1,789	–	1,789
At 1.1.2018	–	1,789	–	1,789
Impact of adopting IFRS 15 (Note 3)	–	(594)	–	(594)
Charge to profit or loss for the year (Note 32)	–	(48)	–	(48)
At 31.12.2018	–	1,147	–	1,147

(Amounts in thousands of Chinese Renminbi ("RMB"))

21. DEFERRED TAX ASSETS / (LIABILITIES) (Continued)

Note:

(i) Deferred tax liabilities are provided on the taxable temporary differences arising from the fair value gain or loss of financial asset at fair value through profit or loss and accretion of interest income of other investment (as disclosed in Note 10(b) in 2017 annual report), which will be taxable upon receipt of the gain.

Unrecognised tax losses

A PRC subsidiary has tax losses of approximately RMB 22,128,000 (2017: RMB 14,498,000) 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			
	2018		2017	
	RMB'000	Expiring in	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	–	
	22,128		14,498	

Note:

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 after the transfer of Yi Feng Contract (Note 10(b) in 2017 annual report) to the Company during the prior financial year as part of the Company's acquisition of an unquoted equity instruments (Note 10(a)).

Unrecognised temporary differences relating to investment in a subsidiary

Temporary differences of RMB 83,046,000 (2017: RMB 83,041,000) 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 8,305,000 (2017: RMB 8,304,000). There are no significant undistributed profits of the Group's interest in joint ventures.

(Amounts in thousands of Chinese Renminbi ("RMB"))

22. ISSUED CAPITAL

	Group and Company			
	2018		2017	
	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			
	2018		2017	
	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 2018, the par value of ordinary shares is S$0.008 each (2017: 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 24).

23. SHARE PREMIUM

	Group and Company	
	2018	2017
	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.

(Amounts in thousands of Chinese Renminbi ("RMB"))

24. TREASURY SHARES

	Group and Company			
	2018		2017	
	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.

25. DISTRIBUTABLE RESERVE

	Group and Company	
	2018	2017
	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.

26. FAIR VALUE RESERVE

	Group and Company
	RMB'000
At beginning of the year, 1.1.2018	–
Impact of adopting IFRS 9 (Note 3, 10)	18,591
At beginning of the year, 1.1.2018, adjusted	18,591
Equity investment in FVOCI	
- net change in fair value (Note 10(b))	(10,914)
At end of the year, 31.12.2018	7,677

Fair value reserve arises from net changes in fair value of financial assets at FVOCI (Note 10(b)) (2017: available-for-sale financial assets (Note 10(a))). 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.

27(a). REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	Group	
	2018	2017
	RMB'000	RMB'000
Sales of completed properties	41,818	26,314
Sales tax	(221)	(328)
	41,597	25,986

(Amounts in thousands of Chinese Renminbi ("RMB"))

27(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 2018 RMB'000
At beginning of the year	43,199
Impact of adopting IFRS 15 (Note 3)	(22,259)
Adjusted balance at beginning of the year	20,940
Consideration received during the year	22,851
Recognised as revenue	(41,818)
At end of the year	1,973
Revenue recognised in current year that was included in the contract liabilities balance as at 1 January 2018 (adjusted)	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'. As a result, the above change in contract liabilities from the amount previously reported as at 31 December 2017 is mainly due to an aggregated amount of transaction price that are fully satisfied (i.e. upon transfer the control of completed properties to customers) as at 1 January 2018 as well as those transferred during the current financial year.

28. OTHER INCOME

	Group	
	2018 RMB'000	2017 RMB'000
Reversal of allowance for impairment of other receivables (Note 13(ii))	2,589	–
Other payables written off (Note 20(i))	2,411	–
Fair value gain on financial assets, at FVPL (Note 11(b))	1,558	–
Write-back of impairment on completed properties for sales, net (Note 12)	256	–
Foreign exchange gain, net	73	–
Gain on disposal of a subsidiary (Note 8)	–	379
Rental income	–	286
Others	–	23
	6,887	688

(Amounts in thousands of Chinese Renminbi ("RMB"))

29. OTHER EXPENSES

	Group	
	2018 RMB'000	2017 RMB'000
Loss / (Gain) on disposal of property, plant and equipment	26	(43)
Property, plant and equipment written off	–	38
Foreign exchange loss, net	–	377
Impairment loss on completed properties for sale, net (Note 12)	–	64
Impairment loss on amounts due from joint ventures (Note 16(a))	–	159
Write off of irrecoverable rental deposit	–	200
Others	7	2
	33	797

30. FINANCE INCOME

	Group	
	2018 RMB'000	2017 RMB'000
Under effective interest rate method for financial assets at amortised cost		
- Interest income – bank balance and structured deposit	44	320
Net fair value gain for financial asset at FVPL		
- Accretion of interest income on other investment	–	1,921
	44	2,241

(Amounts in thousands of Chinese Renminbi ("RMB"))

31. PROFIT / (LOSS) BEFORE TAX

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

	Group	
	2018 RMB'000	2017 RMB'000
Directors' remuneration and fees:		
- Paid to directors of the Company	2,391	3,024
Staff costs (including Directors' remuneration and fees)		
- Short-term benefits	7,437	8,515
- Post-employment benefits: defined contribution	437	573
Audit fees:		
- Paid to auditors of the company	720	697
Other auditors' fees	499	36
Depreciation of property, plant and equipment (Note 6)	1,849	2,130
Entertainment expenses	1,846	3,815
Legal and professional fees	1,520	1,380
Operating lease expenses	2,385	4,245
Cost of completed properties for sale recognised as cost of sales (Note 12)	20,696	16,055
Fair value gain on financial assets, at FVPL (Note 11(b))	(1,558)	–
Write-back of impairment on completed properties for sales, net (Note 12)	(256)	–
Impairment loss on completed properties for sale, net (Note 12)	–	64
Foreign exchange (gain) / loss, net	(73)	377
Loss / (Gain) on disposal of property, plant and equipment	26	(43)
Amortisation of land use rights (Note 7)	2	3
Property, plant and equipment written off	–	38
Write off of irrecoverable rental deposit	–	200
Impairment loss on amounts due from joint ventures (Note 16(a))	–	159
Gain on disposal of a subsidiary (Note 8)	–	(379)

(Amounts in thousands of Chinese Renminbi ("RMB"))

32. TAX EXPENSE

	Group	
	2018	2017
	RMB'000	RMB'000
Deferred tax (Note 21)		
- Reversal of temporary differences	48	–
Corporate income tax (i)		
- Current year	4,602	1,685
Land appreciation tax (ii)		
- Current year	1,448	595
Current tax expense	6,050	2,280
Tax expense	6,098	2,280

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% (2017: 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 before tax as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
Accounting profit / (loss) before tax	5,180	(13,735)
Taxation at the PRC corporate income tax rate of 25% (2017: 25%)	1,295	(3,434)
Effect of different tax rates in other countries or in tax-free jurisdiction	1,150	1,153
Effect of land appreciation tax	1,086	446
Effect of expenses not deductible for tax purpose	463	1,157
Effect of share of losses of jointed ventures	213	16
Effect of income not taxable for tax purpose	–	(241)
Utilisation of deferred tax assets previously not recognised	(17)	–
Deferred tax assets not recognised on tax losses	1,908	3,183
Tax expense for the year	6,098	2,280

(Amounts in thousands of Chinese Renminbi ("RMB"))

33. LOSS PER SHARE

	2018 RMB'000	2017 RMB'000
Loss attributable to equity holders of the Company (RMB'000)	(918)	(16,015)
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	(0.63)	(10.92)
- SGD cents [(ii)]	(0.13)	(2.22)

Notes:

(i) The Company has no dilutive potential ordinary shares for the financial year ended 31 December 2018 and 2017 and there was no ordinary share that may be issued upon the exercise of any share option outstanding as at 31 December 2018 and 2017.

(ii) Calculated based on average exchange rate of S$1:RMB4.99 (2017: S$1:RMB4.91).

34. 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 18). 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 2018, the notional amount of the mortgage loans guaranteed amounted to approximately RMB 34,845,000 (2017: RMB 99,459,000); and the Group's bank deposits amounting to RMB 1,857,000 (2017: RMB 5,308,000) has been pledged for this purpose (Note 18).

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;

(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

(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.

34. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(ii) Operating lease commitments

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 5000m^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 13(iii)), 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.

35. 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 Mining and Property Development segments, which includes unallocated corporate functions and restructuring activities. Treasury investment activities, mainly investment in financial product (Note 11(b)) are also included in this segment.

(Amounts in thousands of Chinese Renminbi ("RMB"))

35. SEGMENT INFORMATION (Continued)

(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
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)
2017				
Segment revenue from external customers	–	25,986	–	25,986
Segment (loss) / profit, representing (loss) / profit before tax	(223)	7,269	(20,781)	(13,735)
Tax expense				(2,280)
Loss for the year				(16,015)

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
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)

(Amounts in thousands of Chinese Renminbi ("RMB"))

35. SEGMENT INFORMATION (Continued)

(ii) Segment assets and liabilities (Continued)

Group	Mining RMB'000	Commercial and residential property development RMB'000	Investment RMB'000	Total RMB'000
2017				
Segment assets	74,037	82,574	38,950	195,561
Consolidated segment assets				195,561
Segment liabilities	(2,680)	(97,870)	(5,670)	(106,220)
Consolidated segment liabilities				(106,220)

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 RMB'000	Commercial and residential property development RMB'000	Investment RMB'000	Total 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 on 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)
Written back of impairment on completed properties for sale, net	–	(256)	–	(256)
Interest income	–	(36)	(8)	(44)

(Amounts in thousands of Chinese Renminbi ("RMB"))

35. SEGMENT INFORMATION (Continued)

(iii) Other segment information (Continued)

	Mining RMB'000	Commercial and residential property development RMB'000	Investment RMB'000	Total RMB'000
2017				
Amounts included in the measure of segment assets:				
Additions to property, plant and equipment	–	–	2,412	2,412
Available-for-sale financial asset (non-current)	70,431	–	–	70,431
Amounts included in the measure of segment loss / (profit):				
Share of losses of joint ventures	64	–	–	64
Impairment loss on amounts due from joint ventures	159	–	–	159
Depreciation of property, plant and equipment	–	91	2,039	2,130
Impairment loss on completed properties for sale, net	–	64	–	64
Accretion of interest income on other investment	–	–	(1,921)	(1,921)
Interest income	–	(37)	(283)	(320)

(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 78,108,000 (2017: available-for-sale financial asset RMB 70,431,000) which represents interest in an iron ore mine located in the South Africa.

(Amounts in thousands of Chinese Renminbi ("RMB"))

36. 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) Investment in financial products of RMB 16,200,000 has been included in 'Available-for-sale financial asset (current)', which was previously recorded as 'Other current asset'; and

(b) Previous balance of 'Sales and rental deposit' amounting to RMB 43,870,000 has been reclassified and recorded as 'Rental deposit' of RMB 671,000 included in 'Accrual and other payables' and 'Contract liabilities' of RMB 43,199,000 separately disclosed on the consolidated statement of financial position.

As a result, certain line items have been amended on the face of the consolidated statement of financial position 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 balances.

	31 December 2017		
	Balances as previously reported	**Reclassification**	**Balances as reclassified**
	RMB'000	**RMB'000**	**RMB'000**
Consolidated statement of financial position			
Current assets			
Available-for-sale financial asset (current)	–	16,200	16,200
Other current asset	16,200	(16,200)	–
Current liabilities			
Sales and rental deposit	(43,870)	43,870	–
Accrual and other payables	(10,466)	(671)	(11,137)
Contract liabilities	–	(43,199)	(43,199)

STATISTICS OF SHAREHOLDINGS

As at 13 March 2019

Issued and fully paid capital	:	S$1,177,046 (equivalent to about RMB 5,897,000)
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 13 MARCH 2019

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 13 MARCH 2019

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	PHILLIP SECURITIES PTE LTD	15,127,649	10.31
5	KGI SECURITIES (SINGAPORE) PTE. LTD.	14,560,000	9.93
6	DB NOMINEES (SINGAPORE) PTE LTD	8,505,000	5.80
7	UOB KAY HIAN PTE LTD	6,200,375	4.23
8	DBS VICKERS SECURITIES (S) PTE LTD	3,063,312	2.09
9	RAFFLES NOMINEES(PTE) LIMITED	2,233,312	1.52
10	WANG HAIYAN	1,763,250	1.20
11	CITIBANK NOMS SPORE PTE LTD	1,064,325	0.73
12	LI SHI	525,012	0.36
13	TEE WEE SIEN (ZHENG WEIXIAN)	492,875	0.34
14	OCBC SECURITIES PRIVATE LTD	370,250	0.25
15	YAP THIAM JOO	294,200	0.20
16	CHAN HOCK LYE	275,375	0.19
17	DBS NOMINEES PTE LTD	270,300	0.18
18	TENG BENG CHYE	255,875	0.17
19	SIOW KWONG THYE	200,000	0.14
20	TAN YAU TECK	200,000	0.14
	TOTAL	136,657,960	93.15

STATISTICS OF SHAREHOLDINGS

As at 13 March 2019

SUBSTANTIAL SHAREHOLDERS AS AT 13 MARCH 2019

	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

Notes:

(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 is one of the directors, and its shares are fully owned by himself. Mr Guo Yinghui is 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 13 March 2019, 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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of China Mining International Limited will be held at Furama RiverFront Hotel, Jupiter I, Level 3, 405 Havelock Road, Singapore 169633 on Monday, 22 April 2019 at 3 p.m. to transact the following businesses:

Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Directors' Statement and Report of the Auditors thereon. **(Resolution 1)**

2. To approve payment of Directors' Fee of S$200,000 (2018: S$200,000) for the year ending 31 December 2019. **(Resolution 2)**

3. To re-elect the following Directors, who will retire pursuant to Article 86 of the Company's Constitution:

   Mr Guo Yinghui **(Resolution 3)**
   Mr Li Bin **(Resolution 4)**
   Mr Ning Jin Cheng **(Resolution 5)**
   Mr Chan Siew Wei **(Resolution 6)**

   Mr Ning Jin Cheng will upon re-election, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. He will also continue as the Chairman of the Nominating Committee and a member of the Remuneration Committee.

   Mr Chan Siew Wei will upon re-election, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. He will also continue as the Chairman of the Remuneration Committee and a member of the Nominating Committee.

4. To re-appoint Crowe Horwath First Trust LLP as Auditors of the Company and to authorise the Directors to re-negotiate and agree on their remuneration. **(Resolution 7)**

As Special Business

To consider, and if thought fit, to pass the following Ordinary Resolutions (with or without amendments): -

5. **Authority to allot and issue shares**

   "That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

   (a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares; and/or

   (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that:

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings), of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings), and for the purpose of this resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities,

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and

(c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

(Resolution 8)
(See Explanatory Note 1)

6. **Renewal of the Share Buyback Mandate**

"That:

(a) for the purposes of the Listing Manual of the SGX-ST, the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire the issued ordinary shares fully paid in the capital of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), during the Relevant Period (as hereinafter defined) or within any one (1) financial year of the Company, whichever is earlier, at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) on-market purchases, transacted on the SGX-ST through the ready market, and which may be transacted through one (1) or more duly licensed stockbrokers appointed by the Company for the purpose ("**Market Purchases**"); and/or

(ii) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Listing Rules ("**Off-Market Purchases**").

(b) the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from passing of this Resolution and expiring on the earlier of:

(i) the conclusion of the next Annual General Meeting of the Company ("**AGM**") or the date by which such AGM is required by the Articles of Association of the Company to be held;

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; and

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by ordinary resolution of the Company in general meeting;

(c) in this Resolution:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded on the SGX-ST, immediately preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-Market Day period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the SGX-ST on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

"**Market Day**" means a day on which the SGX-ST is open for trading in securities;

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case on an Off-Market Purchase, 120% of the Highest Last Dealt Price,

in either case, excluding related expenses of the purchase;

"**Prescribed Limit**" means the number of issued Shares representing ten per cent (10%) of the issued ordinary share capital, excluding treasury shares and subsidiary holdings, ascertained as at the date of passing of this Resolution, unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Law (Revised) of the Cayman Islands, at any time during the Relevant Period, or within one (1) financial year of the Company, whichever is the earlier, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered; and

"**Relevant Period**" means the period commencing from the date of the passing of the resolution to approve the renewal of the Share Buyback Mandate at the last AGM of the Company and expiring on the date the next AGM is held or is required by the Articles of Association of the Company to be held, whichever is the earlier; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transaction contemplated by this Resolution. **(Resolution 9)**
(See Explanatory Note 2)

Any Other Business

7. To transact any other business which may be properly transacted at an Annual General Meeting.

By Order of the Board

Foo Soon Soo
Heng Hock Kiong
Joint Company Secretaries

5 April 2019

Explanatory Notes: -

1. Resolution 8, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares and convertible securities, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to an amount not exceeding in aggregate 50% of the total number of issued shares (excluding treasury shares and subsidiary holding) of the Company at the time of the passing of this Resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company. The aggregate number of shares which may be issued shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time that Ordinary Resolution 6 is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

2. Resolution 9 if passed, will renew the Share Buyback Mandate and will authorise the Directors to purchase or otherwise acquire Shares on the terms and subject to the conditions of the Resolution. The rationale for, the authority and limitation on, the sources of funds to be used and the illustrative financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate based on the audited accounts of the Company and the Group for the financial year ended 31 December 2018 and certain assumptions are set out in greater detail in the Appendix appended to the Annual Report.

Notes:-

1. A Member of the Company (other than the Central Depository (Pte) Limited ("CDP")) entitled to attend and vote at the above meeting shall be entitled to appoint not more than two proxies to attend and vote in his stead by completing and signing the Member Proxy Form. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing; or if such appointer is a corporation under its common seal, if any, and, if none, then under the hand of some officer duly authorised in the behalf.

3. An individual Depositor whose name is shown in the records of the CDP as at a time not earlier than 72 hours, may attend as a CDP's proxy and shall not be required to lodge any proxy form. A Depositor may appoint a nominee(s) to attend and vote in his stead by completing and signing the Depositor Proxy Form. Where a Depositor(s) is a corporation and wishes to be represented at the Meeting, it must nominate an appointee(s) to attend and vote as a proxy for CDP at the Meeting in respect of the number of the Depositor(s) Shares.

4. In the case where an instrument of proxy appoints more than one proxy (including the case when a Depositor Proxy Form is used), the proportion of the shareholding concerned (expressed of as a percentage of the whole) to be represented by each proxy shall be specified in the Instrument of proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

5. The Member Proxy Form and Depositor Proxy Form must be lodged at the office of the Company's Singapore Share Transfer Agent, KCK CorpServe Pte. Ltd. at 333 North Bridge Road, #08-00 KH KEA Building, Singapore 188721, not less than forty-eight (48) hours before the Meeting.

Personal data privacy: By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

中矿国际有限公司
CHINA MINING INTERNATIONAL LIMITED