Add New Energy Investment Holdings Group Limited
愛 德 新 能 源 投 資 控 股 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02623)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB217.2 million for the year ended 31 December 2018, representing an increase of approximately 616.7% over the revenue of approximately RMB30.3 million for the year ended 31 December 2017.

The Group's loss attributed to owners of the company decreased by approximately 31.4% from approximately RMB139.6 million for the year ended 31 December 2017 to approximately RMB95.8 million for the year ended 31 December 2018

ANNUAL RESULTS

The board ("the Board") of directors (the "Directors") of Add New Energy Investment Holdings Group Limited (the "Company") announces the audited consolidated statement of comprehensive income of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 and the Group's audited consolidated balance sheet as at 31 December 2018, together with the relevant comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Amounts expressed in thousands of RMB)

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Continuing operations			
Revenue	6	**217,208**	30,306
Cost of sales		**(205,988)**	(68,004)
Gross profit/(loss)		**11,220**	(37,698)
Distribution expenses		**(1,442)**	(62)
Administrative expenses		**(53,668)**	(38,031)
Impairment losses of assets		**(36,336)**	(2,581)
Other income		**2,129**	66
Other (losses)/gains – net		**(42)**	40
Operating loss		**(78,139)**	(78,266)
Finance income	7	**3,833**	3,837
Finance expenses	7	**(24,339)**	(11,217)
Finance expenses – net		**(20,506)**	(7,380)
Loss before income tax		**(98,645)**	(85,646)
Income tax expense	8	**2,849**	(365)
Loss from continuing operations		**(95,796)**	(86,011)
Loss from discontinued operations		**–**	(55,586)
Loss for the year		**(95,796)**	(141,597)
Loss for the year attributable to:			
Owners of the Company		**(95,796)**	(139,633)
Non-controlling interests		**–**	(1,964)
		(95,796)	(141,597)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Change in the fair value of available-for-sale financial assets		**–**	559
Currency translation differences		**–**	594
Items that will not be reclassified to profit or loss			
Change in the fair value of financial assets at fair value through other comprehensive income		**(6,629)**	–
Other comprehensive (loss)/income for the year		**(6,629)**	1,153

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Total comprehensive loss for the year		**(102,425)**	(140,444)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(102,425)**	(139,285)
Non-controlling interests		**–**	(1,159)
		(102,425)	(140,444)
Total comprehensive loss for the year attributable to:			
Continuing operations		**(102,425)**	(86,011)
Discontinued operations		**–**	(54,433)
		(102,425)	(140,444)
Losses per share for loss from continuing operations attributable to owners of the Company *(expressed in RMB per share)*			
Basic losses per share	*9*	**(0.02)**	(0.02)
Diluted losses per share	*9*	**(0.02)**	(0.02)
Losses per share for loss attributable to owners of the Company *(expressed in RMB per share)*			
Basic losses per share	*9*	**(0.02)**	(0.03)
Diluted losses per share	*9*	**(0.02)**	(0.03)

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

CONSOLIDATED BALANCE SHEET

(Amounts expressed in thousands of RMB)

	Note	As at 31 December **2018** ***RMB'000***	2017 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**265,714**	256,862
Intangible assets		**–**	–
Investments accounted for using the equity method		**1,100**	13,830
Financial assets at fair value through other comprehensive income		**9,019**	–
Other non-current assets	*10*	**10,901**	8,783
		286,734	279,475
Current assets			
Inventories	*11*	**79,687**	33,122
Trade receivables	*12*	**23,224**	26,151
Notes receivables	*13*	**18,450**	42,000
Prepayments and other receivables	*14*	**25,527**	24,745
Cash and cash equivalents		**33,431**	123,627
Term deposits		**30,000**	160,000
Restricted bank deposits		**3,424**	83,366
		213,743	493,011
Total assets		**500,477**	772,486
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**670,992**	641,741
Reserves		**(19,517)**	(9,570)
Accumulated losses		**(340,987)**	(248,198)
		310,488	383,973
Non-controlling interests		**–**	–
Total equity		**310,488**	383,973

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**115,995**	107,210
Provisions for close down, restoration and environmental costs		**9,357**	8,955
Deferred income		**386**	463
Deferred income tax liabilities	*15*	**5,413**	8,262
		131,151	124,890
Current liabilities			
Borrowings		**–**	100,000
Trade payables	*16*	**12,377**	17,353
Contract liabilities		**168**	–
Notes payables		**–**	100,000
Accruals and other payables		**46,254**	46,231
Current portion of long-term liabilities		**39**	39
		58,838	263,623
Total liabilities		**189,989**	388,513
Total equity and liabilities		**500,477**	772,486

Notes:

1. GENERAL INFORMATION

Add New Energy Investment Holdings Group Limited (the "Company") was incorporated in the Cayman Islands on 8 February 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively the "Group") are principally engaged in iron ore mining and processing, sales of iron concentrates in the People's Republic of China (the "PRC"). The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 27 April 2012.

The directors considered Hongfa Holdings Limited, a company incorporated in the British Virgin Islands ("BVI") and wholly owned by Mr. Li Yunde (the "Controlling Shareholder") as the ultimate holding company.

These consolidated financial statements have been approved for issuance by the Board of Directors on 29 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income ("FVOCI") which are measured at fair value.

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers,and
- Annual Improvements 2014-2016 cycle
- Interpretation 22 Foreign Currency Transactions and Advanced Consideration

The Group also elected to adopt the following amendment early:

- Annual Improvements to HKFRS Standards 2015-2017 Cycle.

The adoption of HKFRS 9 and HKFRS 15 resulted in changes in accounting policies of the Group, which are disclosed in Note 2.2. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) HKFRS 16, 'Leases'

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB4,900,000. There was no contract related to short-term or low value lease of these commitments.

For the lease commitments the Group expects to recognise right-of-use assets of approximately RMB4,333,000 on 1 January 2019, lease liabilities of RMB4,900,000. Overall net assets will be approximately RMB567,000 lower, and net current assets will be RMB1,200,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately RMB78,000 for 2019 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows decrease by approximately RMB1,140,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) HKFRS 9 Financial Instruments

On 1 January 2018, the Group assessed which business models apply to the financial assets held by the Group and has classified its financial assets into the appropriate HKFRS 9 categories, the Group's financial assets were mainly trade receivables, notes receivables and other receivables previously measured at amortised cost which meet the conditions for classification at amortised cost.

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for sales of goods; and
- other receivables.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses model rather than only incurred credit losses model as is the case under Hong Kong Accounting Standards ("HKAS") 39. The impact of the change in impairment methodology on the Group's retained earnings as at 1 January 2018 was immaterial.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income; and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in other comprehensive income.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value, transaction costs that are directly attributable to the acquisition of the financial asset that are at fair value through profit or loss are expensed in profit or loss; and the costs for other categories of financial assets are recognised in the initial carrying amount of the financial assets. For trade and other receivables arising from rendering goods with no significant financing component, the Group measures their initial carrying amount with the cash flows that the Group is entitled and expected to receive.

(iii) Impairment

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables.

(b) HKFRS 15, Revenue from contracts with customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 replacing HKAS 18 Revenue which covers contracts for goods and services.

On 1 January 2018, the Group adopted IFRS 15, applying the modified retrospective method to contracts that were not completed as of 1 January 2018. The adoption did not have a material impact on the retained earnings as of January 1, 2018. Results for reporting periods beginning on or after 1 January 2018 are presented under IFRS 15, while prior period amounts are not adjusted and continue to be reported in accordance with the Group's historical accounting standard.

Under IFRS 15, the Group's contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenues to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices of each distinct performance obligation based on the prices charged to customers when sold on a standalone basis. Since the different performance obligations in one contract usually complete in the same short period of time, the new standard does not have a significant impact on its financial statements.

The Group may deliver products via transportation service providers and may thereby charge customers a separate fee for its transportation costs or have it included in the price of products. The Group is considered the principal for the transportation service under such arrangements and determines the transportation service as a separate performance obligation. The transportation costs previously classified as distribution expenses become cost of sales under IFRS 15. Such reclassification impact amounted to RMB13,939,000 for the year ended December 31, 2018.

The adoption of HKFRS 9 do not have a material impact on the Group's results and financial positions for the current or prior periods.

2.3 Principles of consolidation and equity accounting

(a) Subsidiaries

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

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

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

(b) Associates

Associate is the entity over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in an associate are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(c) Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has a joint venture.

Interests in the joint venture are accounted for using the equity method (see (d) below), after initially being recognised at cost in the consolidated balance sheet.

(d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from the associate and the joint venture are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses are presented in the income statement within finance income or expenses.

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

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

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

2.7 Property, plant and equipment

Property, plant and equipment, comprising buildings and structures, mining infrastructures, vehicles, equipment and others, are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Stripping costs incurred in the production phase of a surface mine are capitalised and presented as mining infrastructures when, and only when all of the following criteria are met:

(i) it is probable that the future economic benefits (improved access to the ore body) associated with the stripping activity will flow to the Group;

(ii) the Group can identify the component of the ore body for which access has been improved; and

(iii) the costs relating to the stripping activity associated with that component can be measured reliably.

Depreciation on assets other than mining infrastructures is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and structures	15 years
Vehicles, equipment and others	3-10 years

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

Depreciation on mining infrastructures (including main and auxiliary mine shafts and underground tunnels) is calculated using the units of production method based on ore reserves as the depletion base.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2.8 Intangible assets

(a) Mining rights

Mining rights are stated at cost less amortisation. Mining rights include expenditure that is directly attributable to the acquisition of mining licenses and transfers from exploration rights and exploration and evaluation assets upon determination that an exploration property is capable of commercial production. Amortisation on mining rights is calculated using the units of production method based on ore reserves as the depletion base.

(b) Exploration rights

Exploration rights are stated at historical cost. Exploration rights include expenditure that is directly attributable to the acquisition of exploration rights and tenements, entry premiums paid to gain access to areas of interest (defined as each exploration license or tenement) and amounts payable to third parties to acquire interests in existing projects.

Exploration rights are transferred to mining rights from the commencement of mining activities and are amortised using the units of production method based on ore reserves as the depletion base.

2.9 Impairment of non-financial assets

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

2.10 Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

2.11 Investments and other financial assets

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) through other comprehensive income, and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Recognition and derecognition

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

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into the measurement category which is measured at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

(ii) Equity instruments

The Group subsequently measures its equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(e) Accounting policies applied until 31 December 2017

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

(i) Classification, recognition and measurement

The Group's financial assets include loans and receivables. The classification determined on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise "cash and cash equivalents", "term deposits", "restricted bank deposits", "trade receivables", "note receivables" and "other receivables" in the balance sheet. Loans and receivables are recognised initially at fair value plus any transaction costs and subsequently measured at amortised cost using the effective interest method less provision for impairment.

(ii) Impairment

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

Impairment testing of trade receivables is described in Note 3.1(b).

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average costing method. The cost of finished goods comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 90 days and therefore are all classified as current.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.11 for further information about the Group's accounting for trade and other receivables and Note 3.1(b) for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary shares are classified as equity.

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

2.16 Trade and other payables

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

2.17 Borrowings

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

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

2.18 Borrowing costs

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

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

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

2.19 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

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

2.20 Employee benefits

(a) Pension obligations

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees become entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to the applicable employees when they retire. The Group contributes on a monthly basis to these pension plans based on certain percentages of the employees' salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expenses as incurred. The non-PRC employees are covered by other defined-contribution pension plans sponsored by local government.

(b) Housing benefits

The PRC employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the employees' salaries. The Group's liability in respect of these funds is limited to the contributions payable in each period. The non-PRC employees are not covered by the housing benefits.

2.21 Provisions for close down, restoration and environmental costs

One of the consequences of mining activities is the damage to lands at the mining sites. The Group may compensate the inhabitants for loss or damage of lands and make payments for expenditures on close down, restoration, rehabilitation or environmental protection of the lands at mining sites since mining activities commence.

Close down and restoration costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas for mines. Close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, based on the net present value of the estimated future costs of restoration to be incurred during the life of the operation and post closure. The obligation may occur during development or during the production phase of a facility. The costs are capitalised if it is probable that future economic benefits will flow to the Group, no matter whether rehabilitation activities are expected to occur over the life of the operation or at the time of close down. The capitalised costs are depreciated over the life of the operation and increase in the net present value of the provision is recognised as interest expense.

If there is a change in the expected close down, restoration and environmental costs, an adjustment is recorded against the carrying amount of provisions and related assets, with a corresponding adjustment to the income statement on a prospective basis over the remaining life of the operation. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. Estimates of costs are reviewed and revised at the end of each reporting period to reflect changes in conditions.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Sales of goods

Revenue arising from sales of iron concentrates, titanium concentrates and other goods is recognised when control of the goods has transferred, being when the goods are delivered to the customer and there is no unfulfilled obligation that may have an impact on the customer's acceptance of the goods.

2.23 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Lease

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

2.25 Dividend distribution

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

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and fair value interest rate risk), credit risk, liquidity risk and concentration risk.

(a) Market risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily with respect to HKD and USD.

As at 31 December 2018, if RMB had weakened/strengthened by 5% (2017: 5%) against HKD with all other variables held constant, loss before income tax for the year would have been RMB5,712,000 (2017: RMB5,650,000) higher/lower mainly as a result of foreign exchange losses/gains on translation of borrowings denominated in HKD.

As at 31 December 2018, if RMB had weakened/strengthened by 5% (2017: 5%) against USD with all other variables held constant, loss before income tax for the year would have been RMB40,000 (2017: RMB836,000) lower/higher mainly as a result of foreign exchange gains on translation of cash and cash equivalents denominated in USD.

(ii) Fair value interest rate risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Other than those mentioned above, the Group's income and operating cash flows are substantially independent of changes in the market interest rates.

(b) Credit risk

Credit risk arises from cash and cash equivalents, term deposits and restricted bank deposits and contractual cash flows of debt instruments carried at amortised cost, as well as credit exposures to customers, including outstanding receivables.

Bank deposits and restricted bank deposits are mainly placed in state-owned banks in the PRC and overseas banks that have investment grade ratings. Notes receivables represent bank acceptance notes issued either by state-owned banks with investment grade ratings or by local banks with good reputation. Management believes that these financial institutions are of high credit quality and there is no significant credit risk on bank deposits and bank acceptance notes.

Sales to the Group's top five largest customers accounted for 71% of total revenue for the year ended 31 December 2018 (2017: 100%). Risk control assesses the credit quality of all the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements.

While cash and cash equivalents,term deposits,restricted bank deposits and notes receivables are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

As for trade receivables and other receivables, the Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for both trade receivables:

	Current *RMB'000*	**More than 90 days past due** *RMB'000*	**More than 1 year past due** *RMB'000*	**More than 2 years past due** *RMB'000*	**More than 3 years past due** *RMB'000*	**Total** *RMB'000*
As at 31 December 2018						
Expected loss rate	**1%**	**3%**	**4%**	**5%**	**15%**	
Gross carrying amount-trade receivables	**20,536**	**2,219**	**–**	**344**	**488**	**23,587**
Loss allowance	**205**	**67**	**–**	**18**	**73**	**363**

	Current RMB'000	More than 90 days past due RMB'000	More than 1 year past due RMB'000	More than 2 years past due RMB'000	More than 3 years past due RMB'000	Total RMB'000
As at 1 January 2018						
Expected loss rate	1%	3%	5%	8.5%	65%	
Gross carrying amount-trade receivables	–	–	344	25,636	6,759	32,739
Loss allowance	–	–	17	2,178	4,393	6,588

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years past due.

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

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Net impairment losses on financial assets recognized in profit or loss

During the year, the following (gains)/losses were recognised in profit or loss in relation to impaired financial assets:

	2018 ***RMB'000***	2017 *RMB'000*
Impairment losses (reversal)/provision		
– trade receivables	**(6,225)**	(866)
– other receivables	**(432)**	456
Net impairment losses reversal on financial assets	**(6,657)**	(410)

(c) ***Liquidity risk***

The Group's liquidity risk is managed to ensure it has sufficient cash to meet operational needs, generated from financing activities and expected future operating activities.

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

	Within 1 year *RMB'000*	**1-2 years** *RMB'000*	**2-5 years** *RMB'000*	**Over 5 years** *RMB'000*
As at 31 December 2018				
Borrowings	**9,261**	**9,261**	**146,570**	**–**
Trade payables	**12,377**	**–**	**–**	**–**
Other payables	**18,331**	**–**	**–**	**–**
	39,969	**9,261**	**146,570**	**–**

	Within 1 year *RMB'000*	1-2 years *RMB'000*	2-5 years *RMB'000*	Over 5 years *RMB'000*
As at 31 December 2017				
Borrowings	113,267	8,958	30,116	126,222
Trade payables	17,353	–	–	–
Notes payables	100,000	–	–	–
Other payables	20,867	–	–	–
	251,487	8,958	30,116	126,222

(d) ***Concentration risk***

Revenue of the Group is principally derived from Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine") which owns the operating mines of the Group. Any disruptions to the operation of the mine may have a material adverse impact on the Group's financial position and results of operations.

During the year end 31 December 2018, 71% of the Group's revenue was derived from sales to the top five customers (2017: 100%). If these major customers terminate their business relationships with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations. Therefore management keeps closely monitoring transactions with these major customers.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by the aggregate amount of total equity and total borrowings.

During 2018, the Group's strategy was unchanged from 2017. The gearing ratios at 31 December 2018 and 31 December 2017 were as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Total borrowings	**115,995**	207,210
Total equity and borrowings	**426,483**	591,183
Gearing Ratio	**27.2%**	35.1%

3.3 Fair value estimation

The Group's financial instruments carried at fair value as at 31 December 2018 are defined by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's FVOCI financial assets represent 7.52% of the ordinary shares of Ishine International Resources Limited, which is measured at fair value as level 1 investment.

The carrying amounts of the Group's financial assets including cash and cash equivalents, term deposits, restricted bank deposits, trade receivables, notes receivables, other receivables and financial liabilities including trade payables, other payables and short-term borrowings approximate their fair values due to their short maturities. As of 31 December 2018 and 2017, fair values of long-term bonds, which are calculated based on market interest rate and the risk factors attributable to the Group with similar terms, approximated their carrying value.

4. CRITICAL ACCOUNTING ESTIMATES

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

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

(a) Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are stated at cost or cost less depreciation or amortisation. The carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. It's very difficult for the Group to make an estimate of fair value less costs of disposal as there is no basis for making a reliable estimate, which made the Group accept value in use as the recoverable amount. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's financial position and results of operations.

(b) Impairment of inventory

Inventories are reviewed for impairment whenever events or changes in circumstances cause their carrying amounts to exceed their recoverable amounts. The determination of recoverable amount of the inventories requires the use of estimates. The Group's management determined the recoverable amount of inventories.

(c) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.

(d) Reserves

Reserves are estimates of the amount of products that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required that involve a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields, determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgments and calculations to interpret data.

Estimates of reserves may change from period to period, because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

(i) carrying amounts of assets may be affected due to changes in the estimated future cash flows;

(ii) depreciation, depletion and amortisation charges may change where such charges are based on the units of production, or where the useful economic lives of assets change;

(iii) decommissioning, site restoration and environmental provisions may change where changes in the estimated reserves affect expectations about the timing or cost of these activities; and

(iv) carrying amounts of deferred tax assets may be affected due to changes in estimates of the likely recovery of the tax benefits.

(e) provisions for close down, restoration and environmental costs

Mining activities may result in land subsidence, causing losses to the residents of the mining areas. Pursuant to the relevant PRC regulations, the Group is required to make compensation payments to the residents for their losses resulting from land subsidence, or to restore the mining areas to certain acceptance conditions.

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or result of operations of the Group. The PRC government, however, has moved and may move further towards the adoption or more stringent environment standards. Environmental liabilities are subject to considerable uncertainty which affect the Group's ability to estimate the ultimate cost to remediation efforts. These uncertainties include:

(i) exact nature and extent of the contamination at various sites including, but not limited to, iron ore and ilmenite ore mines and land development areas, no matter whether operating, closed or sold;

(ii) extent of required clean-up efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) identification of new remediation sites.

(vi) the provisions for close down, restoration and environmental costs determined by management is based on the best estimate of future cash flows by discounting the expected expenditures to their net present value. As the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associate costs may be subject to revision in the future. The amounts provided as close down, restoration and environmental costs are reviewed at least annually based upon the facts and circumstances available at the time and provisions are updated accordingly.

(f) Income taxes and deferred taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit 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 recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the realisation of future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate may result in adjustments to the value of future income tax assets and liabilities that may have a significant effect on the Group's financial position and results of operations.

5. SEGMENT INFORMATION

(a) General information

The CODM has been identified as the SEM who reviews the Group's internal reporting in order to allocate resources and assess performance. The SEM has determined the operating segments based on these reports.

The SEM considers the business from both a geographic and industrial perspective. Geographically, management considers the performance in the PRC and Australia. From an industrial perspective, management separately considers activities of ore mining and processing and sales of concentrates and activities of finance lease in these geographies.

During the year ended 31 December 2017, the CODM made the following changes to the reportable segments to reflect the changes of relevant business, on the basis of which the segment information disclosure was changed.

(i) In January 2017, Tianjin Ever Grand Financial Leasing Co., Ltd. ("Ever Grand") terminated its external finance lease contract. The SEM decided to temporarily suspend finance lease business and Ever Grand is no longer reported as a separate reportable operating segment.

(ii) On 18 November 2017, the Company announced that Shandong Ishine and the Controlling Shareholder has entered into an agreement with two independent natural persons, pursuant to which Shandong Ishine sold all its interests in Linyi Luxing Titanium Co., Ltd. ("Luxing Titanium"), with a cash consideration amounting to RMB20,900,000. The transaction was completed on 30 November 2017. Luxing Titanium is reported as a discontinued operation for the year ended 31 December 2017.

(iii) In 2017, the SEM decided not to actively pursue business in Australia. On 29 December 2017, Mr. Li Yunde, the Controlling Shareholder of the Company, submitted his resignation to the board of directors of Ishine International Resources Limited (changed its name to Superior Lake Resources Limited ("Superior Lake")), and retired from the position of executive director and chairman of Superior Lake. The Group no longer has control in Superior Lake since 29 December 2017. Superior Lake is reported as a discontinued operation for the year ended 31 December 2017.

The SEM assesses the performance of the operating segments based on a measure of profit or loss contributed by respective segments.

(b) Information about reportable segment profit or loss, assets and liabilities

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies.

Expenses, assets and liabilities of the holding companies (the Company, Alliance Worldwide Investment Limited ("Alliance Worldwide"), Fortune Shine Investment Limited ("Fortune Shine"), Shine Mining Investment Limited ("Shine Mining"), Ishine Mining International Limited ("Ishine Mining"), China Rongsheng Holdings Limited ("Rongsheng"), Alpha Charm Investments Limited ("Alpha Charm"), Grandson Holdings Limited ("Grandson"), Active Fortune Group Limited ("Active Fortune")), Ever Grand and Yishui Shengrong New Energy Limited ("Yishui Shengrong") in the Group are presented as 'Unallocated' in the segment information.

The segment information provided to the SEM for the years ended 31 December 2018 and 2017 is as follows:

	Shandong Ishine *RMB'000*	**Discontinued operations** *RMB'000*	**Unallocated** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2018					
Revenue	**217,208**	**–**	**–**	**–**	**217,208**
Gross profit	**11,220**	**–**	**–**	**–**	**11,220**
Finance income	**3,810**	**–**	**23**	**–**	**3,833**
Finance expenses	**(5,252)**	**–**	**(19,087)**	**–**	**(24,339)**
Impairment losses (provision)/reversal	**(36,336)**	**–**	**–**	**–**	**(36,336)**
– Inventories	**(42,993)**	**–**	**–**	**–**	**(42,993)**
– Trade receivables	**6,225**	**–**	**–**	**–**	**6,225**
– Other receivables	**432**	**–**	**–**	**–**	**432**
Income tax expense	**2,849**	**–**	**–**	**–**	**2,849**
Net loss	**(55,481)**	**–**	**(40,315)**	**–**	**(95,796)**
Other information					
Depreciation of property, plant and equipment ("PPE")	**(15,356)**	**–**	**(3)**	**–**	**(15,359)**
Expenditures for non-current assets	**24,055**	**–**	**303**	**–**	**24,358**
As at 31 December 2018					
Segment assets and liabilities					
Total assets	**485,977**	**–**	**1,850,088**	**(1,835,588)**	**500,477**
Total liabilities	**245,996**	**–**	**852,315**	**(908,323)**	**189,988**

	Shandong Ishine *RMB'000*	Discontinued operations *RMB'000*	Unallocated *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 2017					
Revenue	30,306	–	–	–	30,306
Gross profit	(37,698)	–	–	–	(37,698)
Finance income	3,833	4	4	–	3,841
Finance expenses	(4,407)	(4,337)	(6,810)	–	(15,554)
Impairment losses	(2,581)	–	–	–	(2,581)
– Inventories	2,991	–	–	–	2,991
– Trade receivables	(866)	–	–	–	(866)
– Other receivables	456	–	–	–	456
Income tax expense	(365)	(1,026)	–	–	(1,391)
Net loss	(67,515)	(55,586)	(18,496)	–	(141,597)
Other information					
Depreciation of PPE	(15,339)	(425)	–	–	(15,764)
Expenditures for non-current assets	5,959	–	1,262	–	7,221
As at 31 December 2017					
Segment assets and liabilities					
Total assets	727,731	110,003	2,046,618	(2,111,866)	772,486
Total liabilities	415,885	125,683	713,356	(866,411)	388,513

6. REVENUE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Production		
– Sales of iron concentrates	**148,430**	8,188
– Sales of titanium concentrates	**2,890**	251
Trading		
– Sales of coarse iron powder	**30,531**	21,867
– Sales of coal (a)	**35,357**	–
	217,208	30,306

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue is attributable to:		
– Continuing operations	**217,208**	30,306
– Discontinued operations	**–**	–
	217,208	30,306

(a) In the fourth quarter of 2018, the Company's wholly owned subsidiary Shandong Ishine recorded coal trading transactions amounted to RMB35,357,000, together with the related cost of sales of RMB26,777,000 and a gross profit of RMB8,580,000, representing a gross margin of 24.3%.

7. FINANCE EXPENSES – NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest expense:		
– Borrowings	**(17,406)**	(15,763)
– Provisions: unwinding of discount	**(402)**	(1,822)
– Discount of bank acceptance notes	**(165)**	(2,946)
Net foreign exchange (losses)/gains	**(6,119)**	5,126
Other finance expenses	**(247)**	(149)
Finance expenses	**(24,339)**	(15,554)
Finance income:		
– Interest income on bank deposits	**3,833**	3,841
Net finance expenses	**(20,506)**	(11,713)
Finance expense is attributable to:		
– Continuing operations	**(20,506)**	(7,380)
– Discontinued operations	**–**	(4,333)
	(20,506)	(11,713)

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Deferred tax *(Note 15)*:		
Origination and reversal of temporary differences	**2,849**	(1,391)
Income tax is attributable to:		
– Continuing operations	**2,849**	(365)
– Discontinued operations	**–**	(1,026)
	2,849	(1,391)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 revised) of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

The subsidiaries incorporated in BVI under the International Business Companies Acts of the British Virgin Islands are exempted from payment of BVI income tax.

Hong Kong profit tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the years ended 31 December 2018 and 2017.

Corporate income tax in the PRC is calculated based on the statutory profit of the subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjusting certain items of income and expenses that are not assessable or deductible for income tax purposes.

In December 2015, Shandong Ishine was awarded with the National High-Tech Enterprise qualification. Pursuant to the related regulations, Shandong Ishine is entitled to a reduced income tax rate of 15%, effective from 1 January 2016 till 1 January 2019. On 30 November 2018, this tax preference entitlement was renewed till 30 November 2021.

The tax rate for the Company's other PRC subsidiaries is 25% for the year ended 31 December 2018.

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the tax rates applicable to losses of the consolidated entities as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Loss before tax	**(98,645)**	(140,206)
Tax calculated at domestic tax rates applicable in the respective countries	**9,066**	16,864
Tax effects of:		
– Expenses not deductible for tax purposes	**5**	(94)
– Tax losses for which no deferred income tax asset was recognised	**(6,222)**	(16,243)
– Income not taxable	**–**	(1,918)
Income tax expense	**2,849**	(1,391)

9. LOSSES PER SHARE

(a) Basic

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Loss attributable to owners of the Company	**(95,796)**	(139,633)
– From continuing operations	**(95,796)**	(86,011)
– From discontinued operations	**–**	(53,622)
Weighted average number of ordinary shares in issue	**4,801,242,715**	4,609,499,032
Basic losses per share (Expressed in RMB per share)	**(0.02)**	(0.03)
Basic losses per share from continuing operations (Expressed in RMB per share)	**(0.02)**	(0.02)

(b) Diluted

As at 31 December 2017 and 2018, there were no dilutive instruments of the Company, the diluted losses per share were calculated in the same way as basic losses per share.

10. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Land restoration deposits	**7,224**	5,224
Prepaid taxes	**3,677**	3,559
	10,901	8,783

11. INVENTORIES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Raw materials		
– Iron ore and ilmenite ore	**74**	74
– Spodumene	**67,693**	–
– Others	**14,818**	1,968
Finished goods	**36,241**	29,646
Spare parts and others	**3,854**	4,425
Provision for inventory	**(42,993)**	(2,991)
	79,687	33,122

For the year ended 31 December 2018, the costs of inventories recognised as 'cost of sales' amounted to RMB182,210,000 (2017: RMB55,577,000).

During the year ended 31 December 2018, impairment provision of RMB42,993,000 has been charged to the statement of comprehensive income, including RMB39,595,000 of spodumene, RMB253,000 of other raw materials and RMB3,145,000 of finished goods.

12. TRADE RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**23,587**	32,739
Less: allowance for impairment of trade receivables	**(363)**	(6,588)
Trade receivables – net	**23,224**	26,151

The ageing analysis of trade receivables was as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**20,535**	–
3 to 6 months	**2,219**	–
6 months to 1 year	**–**	–
Over 1 year	**833**	32,739
	23,587	32,739

The carrying amounts of the Group's trade receivables are denominated in RMB.

Movement on the Group's allowance for impairment of trade receivables is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
At 1 January	**6,588**	9,658
(Reversal)/provision for trade receivables impairment	**(6,225)**	(866)
Disposal of subsidiaries	**–**	(2,204)
At 31 December	**363**	6,588

Due to the short-term nature of the trade receivables, their carrying amount is considered to be the same as their fair value.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

13. NOTES RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Bank acceptance notes	**18,450**	42,000

As at 31 December 2018 and 2017 all bank acceptance notes are due within 12 months.

14. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Advance to suppliers	**1,256**	267
Prepaid taxes	**7,278**	10,996
Land restoration deposits	**38**	86
Undeducted input VAT	**13,092**	5,767
Advance to employees	**100**	184
Others	**3,763**	7,445
	25,527	24,745

15. DEFERRED INCOME TAX ASSETS AND LIABILITIES

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Deferred tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**(5,413)**	(8,262)
– Deferred income tax liabilities to be recovered within 12 months	**–**	–
	(5,413)	(8,262)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
At 1 January	**(8,262)**	(2,389)
Charge to the statement of comprehensive income	**2,849**	(1,391)
Disposal of subsidiaries	**–**	(4,482)
At 31 December	**(5,413)**	(8,262)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(a) Deferred income tax assets

	Provisions for close down, restoration and environmental costs *RMB'000*	**Tax losses** *RMB'000*	**Impairment losses** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 31 December 2016	4,650	3,770	33,312	61	41,793
Credited/(charged) to the statement of comprehensive income	161	–	(196)	(811)	(846)
Disposal of subsidiaries	(4,604)	(2,890)	(21,336)	–	(28,830)
At 31 December 2017	207	880	11,780	(750)	12,117
Credited to the statement of comprehensive income	60	–	3,080	834	3,974
At 31 December 2018	**267**	**880**	**14,860**	**84**	**16,091**

(b) Deferred income tax liabilities

	Depreciation of mining infrastructure *RMB'000*	**Fair value adjustment in business combination** *RMB'000*	**Total** *RMB'000*
At 31 December 2016	(20,646)	(23,536)	(44,182)
Charged to the statement of comprehensive income	(545)	–	(545)
Disposal of subsidiaries	812	23,536	24,348
At 31 December 2017	(20,379)	–	(20,379)
Charged to the statement of comprehensive income	(1,125)	–	(1,125)
At 31 December 2018	**(21,504)**	**–**	**(21,504)**

(i) As at 31 December 2018, the Group did not recognise deferred income tax assets of RMB34,576,500 (2017: RMB26,255,000) in respect of accumulated losses arising from Shandong Ishine amounting to RMB230,510,000 (2017: RMB175,030,000), that can be carried forward against future taxable income.

(ii) The expiry dates of the taxable losses of the Company and its subsidiaries for which no deferred income tax assets were recognised are summarised as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Year of expiry		
2018	**–**	–
2019	**–**	–
2020	**–**	106,933
2021	**–**	57,687
2022	**–**	10,410
2023	**–**	–
2024	**–**	–
2025	**106,933**	–
2026	**57,687**	–
2027	**10,410**	–
2028	**55,480**	–
	230,510	175,030

16. TRADE PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables	**12,377**	17,353

As at 31 December 2018 and 2017, the ageing analysis of trade payables was as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**6,648**	10,515
6 months to 1 year	**2,392**	74
Over 1 year	**3,337**	6,764
	12,377	17,353

As at 31 December 2018 and 2017, all the Group's trade payables were denominated in RMB.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The section below is an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2018:

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As described in Note 26 to the consolidated financial statements, in the fourth quarter of 2018, the Company's wholly-owned subsidiary Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine") recorded coal trading transactions amounted to RMB35.36 million, together with the related cost of sales of RMB26.78 million and a gross profit of RMB8.58 million, representing a gross margin of 24.3%. These coal trading transactions represented a new business for the Group and were conducted on a back-to-back basis, involving a purchase of 340,000 tons of coal from a supplier ("Supplier") on 15 October 2018 and two sales transactions of 170,000 tons of coal each to two customers ("Customer A" and "Customer B") on 15 October 2018 and 1 November 2018, respectively. The relevant purchase payables and sales receivables were fully settled in cash prior to 31 December 2018. We are not aware that the Group had conducted any transactions with Supplier, Customers A and B before.

Based on the procedures we performed on the aforementioned transactions, including background searches and interviews with relevant parties, we observed the following:

- Supplier and Customers A and B are all locally registered in Hami City of Xinjiang Uygur Autonomous Region ("Xinjiang"). The operating addresses of Supplier and Customer A, provided to us by the Company's management, are both at No.61, Xinmin Five Road, Yizhou District, Hami City, Xinjiang.

- The gross margin of 24.3% was significantly higher than those relating to other coal trading transactions that we observed from public sources, especially given that these represented back-to-back trading transactions.

- The purchase and sale contracts do not stipulate either the quality of coal or the delivery or collection location. In addition, we were not provided with certain other documents normally associated with these trading transactions, including those relating to quality inspection results and actual delivery and collection by Supplier, Customers A and B.

- The procurement manager of Customer A advised us that the coal was collected from the mine of 新疆疆納礦業有限公司 (referred to as "Jiangna Mining"). The controlling shareholder of Jiangna Mining is Mr. Li Yunde, who is also the controlling shareholder of the Company. The Company set up a joint venture 新疆中泰愛德能源科技有限公司 (referred to as "Joint Venture A") in November 2018. 新疆沃柏能源有限公司 (referred to as "Xinjiang Wobo"), one of the shareholders of Joint Venture A, is 100% owned by the general manager and legal representative of Jiangna Mining. Mr. Gao Yuanqiang, the contact person in charge of procurement and finance for Customer B, is also a director of Joint Venture A, representing Xinjiang Wobo.

We were not able to obtain sufficient appropriate audit evidence or satisfactory explanations from management and the relevant parties involved to ascertain the nature, business rationale and commercial substance, and occurrence of these transactions, including but not limited to:

- The business rationale for Supplier and Customers A and B, which are all located in Xinjiang, to enter into such back-to-back trading transactions with Shandong Ishine, especially given Supplier and Customer A share the same operating address. Shandong Ishine is registered and operates in Shandong Province with no prior coal trading experience in Xinjiang;

- The occurrence of these transactions, especially in light of the observations on the purchase and sale contracts, and the lack of other documentary evidence above-mentioned;

- The reasonableness of the gross margin of 24.3% arising from such transactions against comparable transactions, especially given the possible linkage between Supplier and Customer A above-mentioned, and we are not aware that the Group had any prior business relationships with Supplier and Customers A and B; and

- Given above-mentioned cross relationships amongst Supplier, Customers A and B, and other entities related to Mr. Li Yunde, whether any of the transactions above represented transactions with related parties of the Group.

Given the above situations and the significance of these transactions on the operating results of the Group for the year ended 31 December 2018, we have requested the Board of Directors and Audit Committee of the Company to commission and complete an independent investigation, before we issue our opinion, to ascertain whether these transactions involved potential irregularities that might have a significant impact on the consolidated financial statements for the year ended 31 December 2018.We received a letter on 29 March 2019 from the Chairman of the Company (the "Letter") informing us that the Board of Directors has decided to request the independent non-executive directors to commission an independent investigation of the above matters. However, despite we have informed the Company that the results of the independent investigation will be an important audit evidence upon which our audit opinion will have to rely, we were instructed by the Chairman in the Letter to issue our audit opinion on these consolidated financial statements on the same day.

Because of the above scope limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to: (a) the nature, business rationale and commercial substance and occurrence of these transactions, and (b) whether the effects of these transactions have been properly accounted for and disclosed, including the revenue and cost of sales presented in the consolidated statement of comprehensive income, the related cashflows, and the related party transaction disclosures in the consolidated financial statements as at and for the year ended 31 December 2018.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the nature and occurrence of the aforementioned coal trading transactions and to obtain satisfactory explanations about the business rationale and commercial substance of these transactions. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The principal activities of the Group are iron and ilmenite ore exploration, iron ore and ilmenite ore mining, iron ore processing to produce iron concentrates and titanium concentrates and trading of iron concentrates in Shandong Province, the People's Republic of China (the "PRC" or "China"). Since 2013, the Group has started to engage in ilmenite ore mining and ilmenite ore processing to produce and sell iron concentrates and titanium concentrates, establish the full titanium industrial chain and wind power electricity generation in Shandong Province, the PRC.

The Group possesses mining rights in respect of Yangzhuang Iron Mine (楊莊鐵礦), an iron ore mine located in Qinjiazhuang Village, Yangzhuang Town, Shandong Province, the PRC ("Yangzhuang Iron Mine"), Zhuge Shangyu Ilmenite Mine (諸葛上峪鈦鐵礦), an ilmenite and magnetite mine located in Yishui County, Shandong Province, the PRC ("Zhuge Shangyu Ilmenite Mine"), and owns the exploration rights over Yangzhuang Iron Mine, Qinjiazhuang Ilmenite Project, an ilmenite ore project located in Qinjiazhuang District, Yishui County, Shandong Province, the PRC ("Qinjiazhuang Ilmenite Project"), Zhuge Shangyu Ilmenite Mine and Gaozhuang Shangyu Ilmenite Project, an ilmenite ore project located in Shangyu District, Yishui County, Shandong Province, the PRC ("Gaozhuang Shangyu Ilmenite Project").

The Company actively responded to the government's call and seized the opportunities provided by national policies by developing clean energy such as wind power, photovoltaic power and solar thermal power into new economic growth points, which have made substantial progress. In order to better reflect the Company's strategic business plan and expanding into new business including (but not limited to) clean energy business, sticking to the development of iron and titanium concentrates business, deepening and expanding the building of whole industrial chain of titanium products including sponge titanium and high purity titanium.

The Group's revenue from continuing operations increased by approximately RMB186.9 million, or approximately 616.7%, to approximately RMB217.2 million for the year ended 31 December 2018, as compared with approximately RMB30.3 million for the year ended 31 December 2017. The increase in revenue was primarily due to (1) the increase in sales of iron concentrates produced from Yangzhuang Iron Mine by approximately RMB11.7 million for the year ended 31 December 2018,(2) the increase in turnover by approximately RMB35.4 million from trading of mixed coal and (3) the increase in sales of 100% iron concentrates produced from Yangzhuang Iron Mine by approximately RMB127.3 million for the year ended 31 December 2018.

The total comprehensive loss of the Group was approximately RMB102.4 million for the year ended 31 December 2018, representing a decrease of approximately RMB38.0 million or approximately 27% as compared to that of approximately RMB140.4 million for the year ended 31 December 2017.

This is mainly due to:

The total comprehensive loss from continuing operations of the Group was approximately RMB102.4 million for the year ended 31 December 2018, representing an increase of approximately RMB16.4 million or approximately 19% as compared to that of approximately RMB86.0 million for the year ended 31 December 2017 due to the following main reasons: (1) Impairment losses increased approximately RMB33.8 million as compared to that of the same period last year; (2) Finance expenses increased approximately RMB13.1 million as compared to that of the same period last year, which is primarily due to the interest expenses increased by approximately RMB7.2 million compared to that of the same period last year; (3) Gross profit increased approximately RMB48.9 million as compared to that of the same period last year, mainly due to (a) the increase in gross profit margin by approximately RMB35.6 million and 5.8 million respectively in selling 65% and 100% iron concentrates from Yangzhuang Iron Mine compared to that of the same period last year and (b) the increase in profit margin in trading of mixed coals by approximately RMB8.6 million compared to that of the same period last year.

Measures Taken by the Management in 2018

I. Conducting processing and production based on newly-acquired mineral processing technique.

Shandong Ishine, a wholly-owned subsidiary of the Group, has developed a brand-new processing technique for non-magnetic minerals which could not be processed in the past, breaking the limits of non-magnetic mineral processing. In the first half of 2018, Yangzhuang Iron Mine completed the remodeling of its two processing lines with the new processing technique. Upon completion, it achieved a production capacity of 1 Mt and realized some economic benefit.

II. Acquiring global-leading solar thermal power technology with independent intellectual property rights – solar tower-free center concentrating power electricity generation technology and starting pilot test.

In the first half of 2018, the Group established a joint venture engaged in thermal technology industrialization. Through independent research and development and cooperation with major scientific research institutes, now it has mastered global-leading advanced solar thermal power technology with independent intellectual property rights – solar tower-free center concentrating power electricity generation technology and started the pilot test. It systematically rebuilds a set of advanced solar thermal power generation system with application of globally leading original inventions at every key points of such system. This technology is an innovative technology in the solar power electricity generation field without the use of tower and liquid medium (such as molten salt) as the heat transfer medium. Through the three stages of heat collection, heat exchange (heat storage) and power generation in the mirror field, the cost of integrated power generation is significantly reduced, and the power generation efficiency is greatly improved. The project has acquired empirical data through basic design and experiments on key technical areas conducted throughout the year, but its commercialization is subject to further technical verification.

III. Seizing opportunities from the increasing market demand for lithium carbonate and import and process spodumene with original production lines for better results performance.

With the rapid development of artificial intelligence and battery powered vehicles, lithium carbonate products have been in keen market demand. For the sake of long-term development, the Company has promptly recruited leading industry engineers and technicians and completed the remolding of old production lines in the shortest time possible to process and manufacture spodumene, thereby achieving industrial mass production of spodumene on the original lines of its major products. In 2018, the Group imported spodumene of 10.8 Kt and manufactured lithium powder of 18 Kt with a grade of approximately 5.5%.

IV. Placing new shares to broaden capital and shareholders base.

In the first half of 2018, after considering various methods of financing and based on the prevailing market condition, the Directors believe that under the prevailing market conditions, the placement of shares represents a good opportunity to raise additional funds as general working capital of the Group. In addition, it can also broaden the Company's capital base and shareholders base without any interest burden and thus strengthening the Group's financial position for future development. The placement was completed on 4 June 2018 under a placement agreement with net proceeds of approximately RMB29.4 million.

V. Making further exploration for quality mineral resources.

In 2018, the Group engaged an independent third-party exploration agency to further explore rare metal reserves in the mining areas for new resources and it successfully made a grade analysis on rare metals including rubidium, thus laying a solid foundation for fully capitalizing on its own high-quality mineral resources in the future.

VI. Expanding into mining and new energy-based block chain technology study in due course with plenty of research and studies.

In 2018, after conducting a large number of research and studies, the Group will, when appropriate, further play its platform role as a listed company, while ushering in the upsurge of block chain and the disruptive changes it may bring to the mining industry and new energy industry. The Group hopes to establish a decentralized global integrated mining platform and integrated new energy platform through block chain business, to promote sustainable development of its principal activities with block chain technology.

VII. Closely seizing market dynamics to actively develop market and implementing payment before delivery, while strengthening customer supervision and payment collection.

In order to control market risks, the Company's business department collected market information through internet and customer channels to know market price information in due course, closely seized market dynamics, conducted analyses of market condition and proceeded market-oriented production and sales. To facilitate fund collection and risk prevention, the Group enhanced relevant management systems for the regulation of trade receivables, strengthened review of payment collection of its business department, designated person in charge and refined and specified contract terms for strict implementation. In 2018, the Group collected aged payment of approximately RMB29 million and continued developing new customers accepting payment before delivery to further reduce the risk of payment collection.

VIII. *Taking the opportunity from the national initiative of "One Belt, One Road" to deploy traditional coal energy technology and trading business in Xinjiang*

Given the technological breakthrough of traditional petrochemical energy, such as coal, made in the future clean energy industrial chain, the Company took the initiative to form a joint venture with a subsidiary of Xinjiang Zhongtai Group, a state-owned enterprise, in a bid to seize the opportunity from the construction of national clean energy bases.

OPERATION OVERVIEW AND CAPITAL EXPENDITURE

I. Production and operation of titanium and iron mines

1. Yangzhuang Iron Mine

Currently, the Group possesses a mining permit of Yangzhuang Iron Mine with an approved annual mining production scale of 2.3 Mt.

The Group planned to decide whether to mine and process its own mines based on the market conditions. It analysed operating risks and judged the timing for trading, and based on profitability to decide whether to process with part of coarse powders purchased from other suppliers. In 2018, the iron ore processed and iron concentrates with 65% iron content produced in the Yangzhuang Iron Mine amounted to 0 Mt and 0 Mt, respectively.

In 2018, the Group invested approximately RMB10.5 million in Yangzhuang Iron Mine of which approximately RMB2.7 million was invested in equipment for the brand new processing lines. Due to the market condition, there was no exploration and mining activity carried out in the mine.

2. Zhuge Shangyu Ilmenite Mine

Zhuge Shangyu Ilmenite Mine currently possesses a mining permit with an approved annual mining production scale of 0.4 Mt.

The Group rented an ore processing plant and installed a new titanium processing line in it in 2013. The Group used the production line as the platform for testing to continue to strengthen the cooperation with national scientific and research institutions, such as the Chinese Academy of Sciences, in order to improve titanium processing techniques and control production costs and enhance the value of ilmenite ore.

If the market recovers, the Group will increase its investment in the 2.0 Mt processing line and production line in the mine and commence operation in the current year. If the market remains stagnant and less profitable or not profitable at all, the Group will reduce its investments. The construction schedule of the mine will be based on the market conditions.

In 2018, the Group invested approximately RMB2.3 million in processing line and production line as well as infrastructure in Zhuge Shangyu Ilmenite Mine.

Due to the market condition, there was no exploration or production activities carried out in the mine in 2018.

3. Qinjiazhuang Ilmenite Mine

In 2018, the Group was determining whether it will make investment in or conduct production activities at Qinjiazhuang Ilmenite based on market changes.

Due to the market condition, there was no investments made and no exploration or production activities carried out in the mine in 2018.

4. Gaozhuang Shangyu Ilmenite Mine

In 2018, there was no capital expenditure and no exploration and mining activity carried out in the mine.

II. Development of green mines

The Group enhanced the internal construction of green mining. It practised green mining throughout the daily operation of the mines; improved corporate management system and safety measures; organised regular trainings with the aim to enhance the professional skills of staff and extend corporate culture. It enhanced the interaction with local communities and established a sound system of consultation and coordination. On top of that, it increased the enterprise-local cooperation on projects by capitalising on its own advantages as an enterprise so as to actively promote the local economic development and the enterprise-local integration. By way of legal, scientific and green mining, the Group gradually turned its resource advantages into economy, social and environment advantages with an aim to realise green mining practices, harmonious community, circular economy and diversified and sustainable development.

In 2018, by closely following market changes, the Group stuck to the development of titanium business, adjusted titanium and iron concentrates production in a timely manner and focused on expanding new energy business, particularly for solar thermal projects. The Group made targeted adjustment to its working plan and actively sought for new sources of economic growth.

RESOURCES AND RESERVES OF MINES

The mines and projects owned by the Group have significant iron and titanium ore reserves and resources. According to the report of the independent technical adviser Micromine Consulting Services ("Micromine"), as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012, the total aggregate proved and probable reserve of ore in the Yangzhuang Iron Mine was approximately 43.93 Mt at an average grade of approximately 24.58% TFe (total iron); the total proved and probable reserve of ore in the Zhuge Shangyu Ilmenite Mine was approximately 546.29 Mt at an average grade of approximately 5.69% TiO_2 and approximately 12.81% TFe (total iron); whereas the total proved and probable reserve of ore in the Qinjiazhuang Ilmenite Project was approximately 86.63 Mt at an average grade of approximately 4.50% TiO_2 and approximately 13.56% TFe (total iron).

Micromine has updated the resources and reserves under the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy ("JORC") in 2013 by adopting the following assumptions:

Yangzhuang Iron Mine

1. Resource reporting cutoff grade: 15% TFe

2. An mFe grade cut-off of 8.0% was applied to each mining block based on the breakeven analysis.

3. The Ore Reserve depletion for the Yangzhuang Iron Mine was approximately 4.6 Mt @ 24.6% TFe and 10.6% mFe compared to reported production of approximately 4.5 Mt @ 24.1% TFe and 10.5% mFe for the period from November 2011 to December 2013 inclusive.

4. Stope design parameters are 50 metres in length by approximately 16 metres wide (matching the thickness of the ore body) with a 6 metre wide pillar between stopes as well as a crown pillar of 6 metres.

5. It is assumed that there are no significant geotechnical difficulties.

6. Inferred Resources were excluded from the mine design used to determine the reserves.

7. Parameters for Short Hole Shrinkage mining method:

   Length of Block: 48 m
   Minimum width of Block: 8 m
   Pillar between Blocks: 6 m
   Crown Pillar: 5 m
   Distance between levels: 60 m

Reason for the changes in the resources and reserves estimates:

During the period from November 2011 to December 2013, reserves were reduced by approximately 4.6 Mt due to mining activities.

Zhuge Shangyu Ilmenite Mine

1. Resource reporting cutoff grade: 9.2% TiO_2 equivalent.

2. Underground resources and reserves remain unchanged from the previous (2012) Micromine estimate.

3. Mineral resources are inclusive of the ore reserve.

4. The reserve includes diluting material with an assumed diluent grade of 0%, total dilution used was 9%.

5. The Micromine reserve is stated based on titanium with an iron credit.

6. The Open Pit Ore Reserve block model depletion for the Zhuge Shangyu resource was approximately 0.27 Mt grading 5.69% TiO_2 and 12.78% TFe compared to reported production of approximately 0.26 Mt grading 6.75% TiO_2 and 13.44% TFe for the period from September 2013 to December 2013 inclusive.

7. The underground mining height is 50 m to 60 m.

Reason for the changes in the resources and reserves estimates:

During the period from November 2011 to August 2013, there was no difference in resources and reserves. During the period from September 2013 to December 2013, reserves were reduced by approximately 0.27 Mt due to mining activities.

Qinjiazhuang Ilmenite Project

No reported exploration or mining activities have been undertaken at the Qinjiazhuang Ilmenite Project between 1 November 2011 and 31 December 2013. Micromine has concluded that there has been no material change to the mineral resources and reserves for the Qinjiazhuang Ilmenite Project, which remains the same as those published in the previous Micromine report dated 17 April 2012.

There was no exploration or mining activity carried out in Qinjiazhuang Ilmenite Project from 1 January 2014 to 31 December 2018.

Based on (1) the resources and reserves under the JORC for the Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine and Qinjiazhuang Ilmenite Project as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012; and (2) the estimated amount of ores mined by the Group from November 2011 to December 2013, the Group's estimated resources and reserves as at 31 December 2017 were as follows:

JORC ore reserve estimate as of 31 December 2018: ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2018. On 2 November 2017, the Group disclosed the area of exploration was changed in Zhuge Shangyu, which deduced the total reserve.)***

	Yangzhuang Iron Mine	**Zhuge Shangyu Ilmenite Mine**	**Qinjiazhuang Ilmenite Project**
Ore reserves (Mt)			
– proved	5.86	199.40	45.33
– probable	31.20	204.50 *(Note)*	41.30
Total ore reserves	37.06	403.90	86.63
Grade of total iron (TFe) (%)			
– proved	24.15	12.78	13.50
– probable	24.65	12.83	13.61
Average grade of total iron (TFe) (%)	24.55	12.82	13.56
Grade of titanium dioxide (TiO_2) (%)			
– proved	N/A	5.76	4.52
– probable	N/A	5.65	4.48
Average grade of total titanium dioxide (TiO_2) (%)	N/A	5.69	4.50

Note: Out of the total probable reserves, about 199.71 Mt is underground reserves.

JORC ore reserve estimate as of 31 December 2018: ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2018)***

	Yangzhuang Iron Mine	**Zhuge Shangyu Ilmenite Mine**	**Qinjiazhuang Ilmenite Project**
Ore reserves (Mt)			
– proved	5.86	199.45	45.33
– probable	31.20	204.50 *(Note)*	41.30
Total ore reserves	37.06	403.90	86.63

Note: Out of the total probable reserves, about 256.29 Mt is underground reserves.

Yangzhuang Iron Mine resources estimate as of 31 December 2018: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2018)***

Resources Category	**Resources** *(Mt)*	**SG** *(t/m³)*	**TFe** *(%)*	**mFe** *(%)*
Measured	11.3	3.25	26.0	10.6
Indicated	50.1	3.25	26.8	10.4
Total Measured and Indicated	61.4	3.25	26.6	10.4
Inferred	17.6	3.22	24.6	8.7
Total Resources	79.0	3.24	26.2	10.0

Note: Numbers have been rounded to reflect that the resources are an estimate. Resources may not ultimately be extracted at a profit.

Zhuge Shangyu Ilmenite Mine resources estimate as of 31 December 2018: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2018. On 2 November 2017, the company disclosed the area of exploration was changed in Zhuge Shangyu, which deduced the total reserve.)***

Resources Category	**Resources** *(Mt)*	**SG** *(t/m³)*	**TiO_2** *(%)*	**TFe** *(%)*
Measured	372.6	3.19	6.23	14.04
Indicated	118.3	3.13	6.14	14.18
Total Measured and Indicated	490.9	3.17	6.19	14.10
Inferred	4.0	3.13	5.92	15.03
Total Resources	494.9	3.16	6.19	14.10

Qinjiazhuang Ilmenite Project resources estimate as of 31 December 2018: ***(Note: JORC mineral resources as of 31 December 2013, there was no mining activity or exploration activity carried out from 1 January 2014 to 31 December 2018)***

Resources Category	**Resources** *(Mt)*	**SG** *(t/m^3)*	**TiO_2** *(%)*	**TFe** *(%)*
Measured	46.2	3.23	4.90	14.72
Indicated	42.1	3.19	4.88	14.84
Total Measured and Indicated	88.3	3.21	4.89	14.78
Inferred	11.3	3.29	5.06	15.05
Total Resources	99.6	3.22	4.91	14.81

Gaozhuang Shangyu Ilmenite Project

Gaozhuang Shangyu Ilmenite Project is located in Yishui County and Yinan County of Shandong Province, the PRC. Shandong Ishine has engaged an independent third party surveying agency to conduct preliminary exploration work in the Gaozhuang Shangyu Ilmenite Project and the work was completed in 2012. It has exploration rights over an area of approximately 1.53 km^2, with the exploration term expiring in March 2019. According to Titanium Mine Detailed Survey Report in respect of the project, it was estimated that the exploration area had approximately 46.0 Mt of resources of Type 332 and 333 of ilmenite ores as at 2 September 2012 under PRC classification standard with an average grading of iron and titanium contents of approximately 12.4% and 6.8%. As there is no change in resources and reserves from October 2012 to December 2018, the Group did not have any plan to carry out mining work or other expansion plan.

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES AND COSTS

The table below sets out a summary of the costs of the Group's exploration, development and mining production activities:

	Year ended 31 December	
	2018	2017
	Kt	*Kt*
Production Volume		
Feed tonnage	–	197

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Mining Costs		
Workforce employment	**–**	577
Transportation	**–**	193
Fuel, electricity, water and other services	**–**	74
Non-income taxes, royalties and other governmental charges	**–**	104
Filling Expense	**–**	40,104
Subtotal	**–**	41,052
Processing Costs		
Workforce employment	**2,777**	3,280
Consumables	**73,826**	997
Fuel, electricity, water and other services	**6,037**	5,340
Administration	**50,511**	262
Transportation	**13,939**	1,265
Non-income taxes, royalties and other governmental charges	**96**	10
Subtotal	**147,186**	11,154
Management Expenses		
Environmental protection and monitoring	**6,069**	5,775
Other administration cost	**32,077**	9,757
Product marketing and transportation	**1,474**	809
Non-income taxes, royalties and other governmental charges	**–**	115
Subtotal	**39,620**	16,456
Other Costs		
Depreciation and Amortisation	**15,359**	15,764
Total	**202,165**	84,426

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recorded revenue from continuing operations of approximately RMB217.2 million as compared with approximately RMB30.3 million for the year ended 31 December 2017, representing a increase of approximately RMB186.9 million. For the year ended 31 December 2018, approximately 16.3% of total sales were derived from trading of mixed coals, while the remaining approximately 59% of the Group's total sales consisted of the sales of 64% iron concentrates produced by the Group's processing plants. The Group mainly sold iron concentrates and titanium concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron and titanium concentrates, the Group sold coarse iron powder to other customers engaged in trading and manufacturing of iron-related products in the PRC.

PRICES OF THE GROUP'S PRODUCTS

Iron Concentrates

The unit price of 65% and 64% iron concentrates produced by the Group mainly depends on the iron content contained in the Group's iron concentrates and is affected by the market conditions, including but not limited to the global, PRC and Shandong supply of and the demand for iron ore products and the prosperity of the Shandong steel industry.

The Group's average unit selling price of 65% iron concentrates for the year ended 31 December 2018 was approximately RMB572.9 per tonne, representing an decrease of approximately 6.6% as compared with the average unit selling price of approximately RMB613.2 per tonne for the year ended 31 December 2017.

The Group's average unit selling price of 64% iron concentrates for the year ended 31 December 2018 was approximately RMB615.8 per tonne. The Group did not sell 64% iron concentrates for the year ended 31 December 2017.

Titanium Concentrates

Since 2013, the Group has been engaging in ilmenite ore exploration, ilmenite ore mining and ilmenite ore processing. The unit price of titanium concentrates produced by the Group mainly depends on the titanium content contained in the Group's titanium concentrates and is affected by the market conditions, including but not limited to the global, PRC and Shandong supply of and the demand for ilmenite ore products and the prosperity of the Shandong steel industry.

The Group's average unit selling price of 46% ilmenite concentrates for the year ended 31 December 2018 was approximately RMB892.3 per tonne representing an decrease of approximately 45.5% as compared with the average unit selling price of approximately RMB1,636.2 per tonne for the year ended 31 December 2017.

Revenue

Revenue was generated from trading activities as well as from sales of the Group's products to external customers net of value added tax. The Group's revenue from sales of the Group's products is mainly affected by the Group's total sales volume which in turn is subject to the Group's mining and processing capacity, market conditions and price of the Group's products. The following table sets forth a breakdown of the Group's revenue for the periods indicated:

	Year ended 31 December 2018 *RMB'000*		Year ended 31 December 2017 *RMB'000*	
Revenue				
Sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**19,888**	**9.2%**	8,188	27.0%
– from iron ore of Yangzhuang Iron Mine (100% iron concentrates)	**127,292**	**58.5%**	–	–
– from iron ore of Zhuge Shangyu Mine (57% iron concentrates)	**1,250**	**0.6%**	–	–
	148,430	**68.3%**	8,188	27.0%
Sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**2,890**	**1.3%**	251	0.8%
	2,890	**1.3%**	251	0.8%
Sales from trading activities				
– from coarse iron powder	**30,531**	**14.1%**	21,867	72.2%
– from mixed coals	**35,357**	**16.3%**	–	–
	65,888	**30.4%**	21,867	72.2%
	217,208	**100.0%**	30,306	100.0%
Revenue is attributable to:				
– Continuing operations	**217,208**	**100.0%**	30,306	100.0%
– Discontinued operations	**–**	**–**	–	–
	217,208	**100.0%**	30,306	100.0%

The following table sets forth a breakdown of the volume of iron concentrates, titanium concentrates and trading products sold by the Group for the periods indicated:

	Year ended 31 December 2018 *(Kt)*	Year ended 31 December 2017 *(Kt)*
Sales volume of iron concentrates produced by the Group		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**34.7**	13.4
– by magnetic minerals processing technology (64% iron concentrates)	**206.7**	–
– from iron ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**2.6**	–
	244.0	13.4
Sales volume of titanium concentrates produced by the Group		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**3.2**	0.2
	3.2	0.2
Sales volume of trading activities		
– from coarse iron powder	**89.7**	46.7
– from mixed coal	**343.2**	46.7
	432.9	46.7
	680.1	60.3

The following table shows the Group's total production volumes of iron concentrates and titanium concentrates by types of materials used.

	Year ended 31 December 2018		Year ended 31 December 2017	
	(Kt)	***(approximately)***	*(Kt)*	*(approximately)*
Iron concentrates produced by the Group				
Amount of iron concentrates produced from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**–**	**–**	35.5	93.2%
Amount of iron concentrates produced by magnetic minerals processing technology (64% iron concentrates)	**239.1**	**100.0%**	–	–
Amount of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**–**	**–**	2.6	6.8%
	239.1	**100.0%**	38.1	100.0%
Titanium concentrates produced by the Group				
Amount of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**–**	**–**	3.3	100.0%
	–	**–**	3.3	100.0%

During 2018, the price of the iron concentrates is dropped due to the steel market downturn, the Group has decreased the production of 65% and 57% iron concentrates. For the year ended 31 December 2018, revenue is mainly derived from sales of 64% iron concentrates produced by the Group. Revenue is also derived from trading of coarse iron powder and mixed coal to the Trade customers.

The Group's revenue from continuing operations increased by approximately RMB186.9 million, or approximately 616.7%, to approximately RMB217.2 million for the year ended 31 December 2018, as compared with approximately RMB30.3 million for the year ended 31 December 2017. The increase in revenue was primarily due to (1) the increase in sales of iron concentrates produced from Yangzhuang Iron Mine by approximately RMB11.7 million for the year ended 31 December 2018, (2) the increase in turnover by approximately RMB35.4 million from trading of mixed coal and (3) the increase in sales of 64% iron concentrates produced from Yangzhuang Iron Mine by approximately RMB127.3 million for the year ended 31 December 2018.

In 2018, the steel market is still struggling, the demand in selling price of the iron concentrates is still not reached the normal level for the year ended 31 December 2018. The total sales is mainly generated from the sales of 64% iron concentrates produced by Yangzhuang Iron Mine since the selling price of 64% iron concentrates is slightly better than lower grade iron concentrates, which was approximately RMB127.3 million. The management is strategically introducing trading business of mixed coal, which brings approximately RMB35.4 million sales for the Group. Also, trading activities in coarse iron powder is slightly increased by approximately 39.6%, approximately RMB21.9 million for the year ended 31 December 2017 to approximately RMB30.5 million for the year ended 31 December 2018.

Cost of Sales

The following table sets forth a breakdown of the Group's cost of sales for the periods indicated:

	Year ended 31 December 2018		Year ended 31 December 2017	
	RMB'000		*RMB'000*	
Cost of Sales				
Cost of sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**22,062**	**10.7%**	45,987	67.6%
– by magnetic minerals processing technology (64% iron concentrates)	**121,630**	**59.0%**	–	–
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**1,497**	**0.7%**	–	–
	145,189	**70.4%**	45,987	67.6%
Cost of sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**3,308**	**1.6%**	156	0.3%
	3,308	**1.6%**	156	0.3%
Cost of sales of trading activities				
– from coarse iron powder	**30,714**	**15.0%**	21,861	32.1%
– from mixed coal	**26,777**	**13.0%**	–	–
	205,988	**100.0%**	68,004	100.0%
Cost of sales is attributable to:				
– Continuing operations	**205,988**	**100.0%**	68,004	100.0%
– Discontinued operations	**–**	**–**	–	–
	205,988	**100.0%**	68,004	100.0%

Cost of sales was mainly incurred during production of iron concentrates and titanium concentrates and from purchase of iron-related products and mixed coal for trading purposes. The cost of sales incurred during production activities mainly consists of mining contracting fees, blasting contracting fees, cost of raw materials, power and utilities expenses, employee benefits, depreciation and amortisation, and other overhead costs.

Total cost of sales increased by approximately RMB138.0 million, or approximately 202.9%, to approximately RMB206.0 million for the year ended 31 December 2018, as compared with approximately 68.0 million for the year ended 31 December 2017. Such increase was mainly due to (1) the increase in sales volume of iron concentrates produced by the Group, which offset by the decrease in cost of sales from filling expenses of approximately RMB38.9 million in the mined-out areas of Yangzhuang Iron Mine for the year ended 31 December 2017, and (2) the increase in sales volume of trading coarse iron powder and mixed coal.

Gross profit/(loss) and gross profit/(loss) margin

The following table sets forth a breakdown of the Group's gross profit/(loss) and gross profit/(loss) margins for the years indicated:

	Year ended 31 December 2018 *RMB'000*		Year ended 31 December 2017 *RMB'000*	
Gross profit/(loss)				
Gross profit/(loss) of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**(2,174)**	**(19.4%)**	(37,799)	100.3%
– by magnetic minerals processing technology (64% iron concentrates)	**5,662**	**50.4%**	–	–
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**(247)**	**(2.2%)**	–	–
	3,241	**28.8%**	(37,799)	100.3%
Gross (loss)/profit of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**(418)**	**(3.7%)**	95	(0.3)%
	(418)	**(3.7%)**	95	(0.3)%
Gross (loss)/profit of trading activities				
– from coarse iron powder	**(183)**	**(1.6%)**	6	–
– from mixed coal	**8,580**	**76.5%**	6	–
	8,397	**74.9%**	6	–
	11,220	**100.0%**	(37,698)	100.0%
Gross profit/(loss) is attributable to:				
– Continuing operations	**11,220**	**100.0%**	(37,698)	100.0%
– Discontinued operations	**–**	**–**	–	–
	11,220	**100.0%**	(37,698)	100.0%

	Year ended 31 December 2018	Year ended 31 December 2017
Gross profit/(loss) margin		
Gross loss margin of iron concentrates		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**(10.9)%**	(461.6)%
– by magnetic minerals processing technology (64% iron concentrates)	**4.4%**	–
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**(19.8)%**	–
Gross (loss)/profit margin of titanium concentrates		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**(14.5)%**	37.8%
Gross profit/(loss) margin of trading activities of		
– coarse iron powder	**(0.6)%**	0.03%
– mixed coal	**24.3%**	–
Overall gross profit/(loss) margin	**5.2%**	(124.4)%

Gross profit increased by approximately RMB48.9 million from the gross loss of approximately RMB37.7 million for the year ended 31 December 2017 to the gross profit of approximately RMB11.2 million for the year ended 31 December 2018. The main reasons for the increase were (i) the decrease in gross loss of 65% iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB35.6 million from the gross loss of approximately RMB37.8 million for the year ended 31 December 2017 to the gross loss of approximately RMB2.2 million for the year ended 31 December 2018, mainly due to the increase in sales volume of iron concentrates for the year ended 2018 and decrease in filling expenses of approximately RMB38.9 million in the mined-out areas of Yangzhuang Iron Mine for the year ended 2018; (ii) the increase of gross profit from trading turnover of mixed coal by approximately RMB8.5 million for the year ended 31 December 2018.

Overall gross profit margin increase from gross loss margin of approximately 124.4% for the year ended 31 December 2017 to gross profit margin of approximately 5.2% for the year ended 31 December 2018. During the year, the gross profit of 64% iron concentrates produced from the iron ore of Yangzhuang Iron Mine was approximately 4.4%, the gross profit of trading mixed coal was approximately 24.3%, with an overall gross profit margin of approximately 5.2%.

Other gains/(losses), net

The Group's other losses were approximately RMB0.04 million for the year ended 31 December 2018 as compared with other gains of approximately RMB0.04 million for the year ended 31 December 2017.

Finance expenses, net (including discontinued operations)

Net finance expenses mainly represented interest expense on bank loans, bonds and discount of bank acceptance notes of the Group, offset by interest income on bank deposits. Finance expenses increased from approximately RMB11.7 million for the year ended 31 December 2017 to approximately RMB20.5 million for the year ended 31 December 2018.

Total comprehensive loss

The total comprehensive loss of the Group was approximately RMB102.4 million for the year ended 31 December 2018, representing an decrease of approximately RMB38.0 million or approximately 27% as compared to that of approximately RMB140.4 million for the year ended 31 December 2017.

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2018 is HK$9,821,219.84 divided into 4,910,609,920 shares with par value of HK$0.002 each.

On 17 May 2018, the Company entered into a placing agreement with Oceanwide Securities Company Limited as placing agent, pursuant to which the Company agreed to place, through the placing agent, on a best efforts basis, up to 460,000,000 new shares to not less than six placees who are individual, corporation and/or institutional or professional investors and are independent third parties at the placing price of RMB0.093 (equal to HK$0.115) per placing share. The closing price on 17 May 2018 was HK$0.118 per share. The Company issued 322,348,000 shares on 4 June 2018 and raised net proceeds of approximately RMB29.24 million (equal to HK$35.80 million). The net proceeds raised were used as approximately HK$20 million as general working capital of the Group, and approximately HK$9.4 million remains unused and placed in licence bank pending future investment opportunities as may be identified from time to time. The net proceeds were used according to the intentions previously disclosed by the Company in the announcement dated 17 May 2018.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings divided by the aggregate amount of total equity and total borrowings) as at 31 December 2018 was approximately 27.2% (as at 31 December 2017: approximately 35.1%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2018 was approximately 3.6 times (as at 31 December 2017: approximately 1.9 times).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the total amount of the borrowings of the Group was approximately RMB116.0 million (as at 31 December 2017: approximately RMB207.2 million). The Group settled borrowings in the amount of approximately RMB100.0 million for the year ended 31 December 2018. The Group's cash and bank balances amounted to approximately RMB33.4 million as at 31 December 2018 (as at 31 December 2017: approximately RMB123.6 million).

2019 DEVELOPMENT AND FUTURE PLANS

By closely following market demands and trend changes, the Group will maintain its competitive edge in the sector of its traditional businesses, including mining, production, sales of and other services for iron and titanium ores and concentrates and other protective mining resources. At the same time, the Group will continue to invest in the expansion of the titanium industrial chain and substantially promote its new energy business. The Group will make greater efforts towards the following plans in 2019 and further.

I. Utilising the brand new processing technique acquired and achieving mass production while maintaining its competitive edge in the sector of its principal businesses

The Group will continue to maintain its competitive edge in mining, production and sales of protective mining resources, while providing after sales services to establish close relationships with upstream and downstream businesses within the industrial value chain of the sector. In particular, the Group will utilize the intellectual proprietary rights of the brand new processing technique acquired in 2018 and strengthen its efforts towards achieving mass production. The Group will strive to bring economic benefits for the Group by leveraging on this technique. The Group will continue to make greater efforts in the planning and implementation of a comprehensive industrial value chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Based on internal research and development of production, the Group will continue to enhance research and development cooperation with the Chinese Academy of Sciences and technology transfer cooperation with the Russian Academy of Sciences with an aim to achieve significant technical breakthroughs. In response to market demands, the Group will make timely investments in technical transformation and strive to transform the above-mentioned technical advantages into productivity, with an aim to improve the profitability of the Company.

In 2018, the Group invested approximately RMB2.7 million in Yangzhuang Iron Mine's brand-new processing lines, processed iron ore purchased from other suppliers of approximately 345.4 Kt and produced iron concentrates of approximately 239.0 Kt with roughly 64% iron content.

II. Actively expanding the clean energy business of solar thermal power

By applying the world advanced solar thermal power generation technology, the Group will systematically rebuild a set of advanced solar thermal power generation system with the application of globally leading original innovations at every key point of such system (including research and development, production and manufacturing, and technological consultancy). In 2019, the Group will continue to proceed the business in a stable manner and based on the experimental data and key area verification conducted in 2018.

The wind power project will be ready to generate income through cooperation or other means in the near future. In 2018, the Group invested approximately RMB0.3 million in the wind power project of Yishui Shengrong.

III. Seizing opportunities from the increasing market demand for lithium carbonate and import and process spodumene with original production lines for business expansion.

With the rapid development of artificial intelligence and battery powered vehicles, lithium carbonate products have been in keen market demand. For the sake of long-term development, the Company has promptly recruited leading industry engineers and technicians and completed the remolding of old production lines in the shortest time possible to process and manufacture spodumene, thereby achieving industrial mass production of spodumene. The development of this business will bring long-term economic benefit to the Group.

IV. Capitalising on the platform as a listed group and taking proactive measures for various projects in the capital market

Capitalising on the financing platform as a listed group, the Group will take proactive and adequate measures in respect of shareholders communication and investor relations, while continuing to strengthen its financing efforts, expand its shareholder base and enhance liquidity of its shares. Financing will also be provided for key construction projects, merger and acquisition projects, or expansion of the titanium industry value chain.

In 2018, placing of an aggregate 322,348,000 placing shares was completed and raised net proceeds of approximately RMB29,420,000 (i.e. HKD37,070,000).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders of the Company to attend and vote at the annual general meeting of the Company to be held on Friday, 14 June 2019 (the "2019 AGM"), the register of members of the Company will be closed from Monday, 10 June 2019 to Friday, 14 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2019 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 6 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, the Company repurchased 2,160,000 shares of HK$0.002 each in the capital of the Company at prices ranged from HK$0.087 to HK$0.093 per share on the Stock Exchange. The Directors believe such repurchases of shares of the Company would enhance the net asset value of the Company and/or its earning per share and benefit the Company and its shareholders.

Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share Highest	Lowest	Aggregate purchase consideration (excluding expenses)
		HK$	*HK$*	*HK$*
July 2018	2,160,000	0.093	0.087	194,899
	2,160,000			194,899

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year end 31 December 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

In the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in the CG Code throughout the year ended 31 December 2018.

AUDIT COMMITTEE

The Company established the audit committee (the "Audit Committee") on 9 April 2012 with written terms of reference in compliance with the CG Code, which currently comprises three independent non-executive Directors, namely Mr. Lin Chu Chang (as chairman of the Audit Committee), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The Audit Committee is mainly responsible for the relationship with the Company's auditor, review of the Company's financial information and monitoring of the Company's financial reporting system and internal control procedures. The Audit Committee has reviewed this announcement and the audited annual financial statements for the year ended 31 December 2018 before such documents were tabled for the Board's review and approval, and is of the opinion that such documents complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

By order of the Board
Add New Energy Investment Holdings Group Limited
Li Yunde
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the executive Directors are Mr. Li Yunde (Chairman), Mr. Geng Guohua (Chief Executive Officer) and Mr. Lang Weiguo; the non-executive Director is Ms. Chau Ching; and the independent non-executive Directors are Mr. Zhang Jingsheng, Mr. Li Xiaoyang and Mr. Lin Chu Chang.