新礦資源有限公司
NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1231)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Board wishes to announce the consolidated annual results of the Group for FY 2019 together with the comparative figures for FY 2018 as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***RMB'000***	2018 *RMB'000* (Restated)
Continuing operations			
Revenue	*4*	**1,920,800**	312,392
Cost of sales		**(1,890,596)**	(310,049)
Gross profit		**30,204**	2,343
Selling and distribution costs		**(4,989)**	(678)
Administrative expenses		**(18,914)**	(15,057)
Impairment losses on other current financial assets		**(11,000)**	–
Finance expense, net	*6*	**(17,088)**	(1,319)
Share of losses of an associate		**(92)**	(55)
Loss before tax from continuing operations	*5*	**(21,879)**	(14,766)
Income tax expenses	*7*	**(126)**	(54)
Loss for the year from continuing operations		**(22,005)**	(14,820)
Discontinued operations			
Loss for the year from discontinued operations	*8*	**(48,160)**	(92,751)
Loss for the year		**(70,165)**	(107,571)

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**562**	(38)
Reclassification adjustments for a foreign operation disposed of during the year		**–**	17
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**562**	(21)
Other comprehensive income for the year, net of tax		**562**	(21)
Total comprehensive income for the year		**(69,603)**	(107,592)
Loss for the year attributable to the owners of the Company:			
– from continuing operations		**(22,005)**	(14,820)
– from discontinued operations		**(47,679)**	(91,186)
		(69,684)	(106,006)
Loss for the year attributable to non-controlling interests:			
– from continuing operations		**–**	–
– from discontinued operations		**(481)**	(1,565)
		(481)	(1,565)
Loss for the year		**(70,165)**	(107,571)
Total comprehensive income attributable to:			
Owners of the Company		**(69,122)**	(105,979)
Non-controlling interests		**(481)**	(1,613)
		(69,603)	(107,592)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted			
– For loss for the year *(RMB cents)*	*10*	**(1.74)**	(2.65)
– For loss from continuing operations *(RMB cents)*	*10*	**(0.55)**	(0.37)

Details of the dividends payable and proposed for the year are disclosed in Note 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	*11*	**1,028**	203,536
Intangible assets		**–**	722
Right-of-use assets	*12(b)*	**2,150**	–
Prepaid land lease payments	*12(a)*	**–**	942
Investment in an associate		**1,353**	1,445
Other long-term assets	*13*	**125,535**	–
Total non-current assets		**130,066**	206,645
Current assets			
Inventories		**–**	2,844
Trade and bills receivables	*14*	**292,854**	–
Other current financial assets		**79,548**	58,955
Prepayments and other receivables		**973**	25,461
Restricted bank deposits		**316,337**	219,050
Cash and cash equivalents		**89,359**	97,953
		779,071	404,263
Assets of a disposal group classified as held for sale	*8*	**204,947**	–
Total current assets		**984,018**	404,263
Current liabilities			
Trade and bills payables	*15*	**255,751**	1,125
Other current financial liabilities		**8,833**	84,193
Contract liabilities		**–**	10,007
Other payables and accruals		**5,570**	8,138
Interest-bearing bank and other borrowings		**449,557**	219,050
Income tax payables		**4,185**	7,939
		723,896	330,452
Liabilities directly associated with the assets classified as held for sale	*8*	**108,197**	–
Total current liabilities		**832,093**	330,452
Net current assets		**151,925**	73,811
Total assets less current liabilities		**281,991**	280,456
Non-current liabilities			
Interest-bearing bank and other borrowings		**71,638**	–
Other non-current financial liabilities		**–**	500
Total non-current liabilities		**71,638**	500
Net assets		**210,353**	279,956
Equity			
Equity attributable to owners of the Company			
Share capital		**331,960**	331,960
Reserves		**(116,755)**	(47,633)
		215,205	284,327
Non-controlling interests		**(4,852)**	(4,371)
Total equity		**210,353**	279,956

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company							
	Share capital	**Share premium account**	**Capital reserves**	**Exchange fluctuation reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	331,960	719,871	80,864	(25)	(742,364)	390,306	(4,248)	386,058
Loss for the year	–	–	–	–	(106,006)	(106,006)	(1,565)	(107,571)
Other comprehensive income for the year:								
Exchange differences related to foreign operations	–	–	–	27	–	27	(48)	(21)
Total comprehensive income for the year	–	–	–	27	(106,006)	(105,979)	(1,613)	(107,592)
Disposal of a subsidiary	–	–	–	–	–	–	1,490	1,490
At 31 December 2018 and 1 January 2019	**331,960**	**719,871***	**80,864***	**2***	**(848,370)***	**284,327**	**(4,371)**	**279,956**
Loss for the year	**–**	**–**	**–**	**–**	**(69,684)**	**(69,684)**	**(481)**	**(70,165)**
Other comprehensive income for the year:								
Exchange differences related to foreign operations	**–**	**–**	**–**	**562**	**–**	**562**	**–**	**562**
Total comprehensive income for the year	**–**	**–**	**–**	**562**	**(69,684)**	**(69,122)**	**(481)**	**(69,603)**
At 31 December 2019	**331,960**	**719,871***	**80,864***	**564***	**(918,054)***	**215,205**	**(4,852)**	**210,353**

* *These reserve accounts comprise the deficiency in reserves of RMB116,755,000 (2018: RMB47,633,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
Cash flows from operating activities			
Loss before tax:			
From continuing operations		**(21,879)**	(14,766)
From discontinued operations		**(48,160)**	(92,751)
Adjustments for:			
Depreciation of items of property, plant and equipment		**3,949**	4,265
Depreciation of right-of-use assets	*12(b)*	**158**	–
Amortisation of prepaid land lease payments	*8(a)*	**–**	37
Amortisation of other long-term assets	*5*	**7,815**	–
Impairment losses on property, plant and equipment	*8(a)*	**14,402**	59,083
Impairment losses on intangible assets	*8(a)*	**52**	216
Impairment losses on right-of-use assets	*8(a)*	**68**	–
Impairment losses on prepaid land lease payments	*8(a)*	**–**	296
Impairment losses on other current financial assets		**11,750**	–
Impairment losses on prepayments and other receivables	*8(a)*	**6,650**	1,313
(Write-back)/write-down of inventories to net realisable value	*8(a)*	**(710)**	258
Finance expense, net		**18,142**	2,498
Share of losses of an associate		**92**	55
Gain on disposal of a subsidiary		**–**	(104)
Cash flows before working capital changes		**(7,671)**	(39,600)
Decrease in inventories		**3,032**	2,350
(Increase)/decrease in trade and bills receivables		**(292,854)**	77,287
Increase in other current financial assets		**(37,296)**	(48,472)
Decrease in prepayments and other receivables		**6,017**	11,290
(Increase)/decrease in restricted bank deposits		**(91,427)**	314
Increase/(decrease) in trade and bills payables		**255,771**	(77,949)
Increase in other current financial liabilities		**20,336**	13,183
Decrease in contract liabilities		**(9,827)**	(3,029)
Increase in other payables and accruals		**550**	1,209
Cash used in operations		**(153,369)**	(63,417)
Interest received		**7,564**	7,452
Bank charges paid		**(1,126)**	(261)
Hong Kong profits tax paid		**(8)**	–
Mainland China income tax paid		**(52)**	–
Net cash flows used in operating activities		**(146,991)**	(56,226)

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
Cash flows from investing activities			
Purchase of other long-term assets	*13*	**(131,580)**	–
Purchase of items of property, plant and equipment		**(955)**	(791)
Investment in an associate		**–**	(1,500)
Consideration received from the Disposal		**(896)**	–
Disposal of a subsidiary		**–**	(48)
Net cash flows used in investing activities		**(133,431)**	(2,339)
Cash flows from financing activities			
Proceeds from bank and other borrowings		**310,089**	–
Repayment of bank and other borrowing		**(19,466)**	–
Interest paid		**(18,484)**	(5,129)
Principal portion of lease payments		**(109)**	–
Net cash flows from/(used in) financing activities		**272,030**	(5,129)
Net decrease in cash and cash equivalents		**(8,392)**	(63,694)
Cash and cash equivalents at beginning of year		**97,953**	164,309
Effect of foreign exchange rate changes, net		**812**	(2,662)
Cash and cash equivalents at end of year		**90,373**	97,953
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**15,413**	16,875
Non-pledged time deposits with original maturity of less than three months when acquired		**73,946**	81,078
Cash and cash equivalents as stated in the consolidated statement of financial position		**89,359**	97,953
Cash attributable to discontinued operations	*8(a)*	**1,014**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**90,373**	97,953

Notes:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

During the year, the principal activity of the Company was investment holding and the principal activities of its subsidiaries included trading of iron ore and other commodities and mining, processing and sale of iron concentrates and gabbro-diabase and stone products.

During the year, the Company entered into the Sale and Purchase Agreement for the disposal of its entire interests in Venca Investments Limited ("Venca"), a direct wholly-owned subsidiary of the Company, for a total consideration of HK$109 million. Venca is an investment holding company and its principal operating subsidiary includes Xingye Mining, which owns and operates the Yanjiazhuang Mine. Upon the completion of the Disposal of Venca, the Group is to cease and discontinue the iron concentrate business and gabbro-diabase and stone business (the "Discontinued Operations of Venca"). An analysis of the results and cash flows of the Discontinued Operations of Venca is presented in Note 8.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain trade and bills receivables, certain trade and bills payables and iron ore futures/swap contracts accounted as financial assets at fair value through profit or loss which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

Except for the amendments to IFRS 9, amendments to IAS 19 and Annual Improvements to IFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of equity at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for certain office premises. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	974
Decrease in prepaid land lease payments	(942)
Decrease in prepayments and other receivables	(32)
Increase in total assets	–
Liabilities	
Increase in interest-bearing bank and other borrowings	2,880
Decrease in other current financial liabilities	(2,880)
Increase in total liabilities	–

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	72
Less: commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(72)
Add: lease payables recognised in other current financial liabilities as at 31 December 2018	2,880
Lease liabilities as at 1 January 2019	2,880

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in an associate upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in an associate continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's financial statements.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Based on the Group's study, the interpretation did not have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new standards and amendments to standards upon initial application. The Group is not yet in a position to ascertain their impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

Operating Segment Information

Over the past few years, the Group has made substantive efforts to develop its trading business of iron ore. In 2019, along with the Group entering into the Assignment and Novation Agreement and the Disposal, the Group has transformed from a pure mine owner and operator into a commodity supplier, specialising in offering of a wide spectrum of iron ore products and other commodities and the distribution of resources extracted by and sourced from its own mine and/or other independent mine owners. As such, the business of the Group has successfully evolved into the resources business (the "Resources Business"). As such, the internal organisation structure and reporting have been changed and the discontinued operations attributable to the iron concentrate business and gabbro-diabase and stone business are no longer separately assessed or reviewed. Instead, the information reviewed by the chief operating decision makers ("CODM") as at the end of the reporting period only focuses on the performance of the continuing operations.

The Resources Business has been identified on the basis of internal management reports prepared in accordance with accounting policies that conform to IFRSs, that are regularly reviewed by the CODM (i.e. the executive directors of the Company). The CODM regularly reviews revenue analysis and profit/(loss) for the year of the Group as a whole to make decisions about resource allocation. Other than these, no other discrete financial information is available or adopted for the assessment of performance.

As discussed above, the iron concentrate business and gabbro-diabase and stone business have been classified as discontinued operations and were excluded from the segment information for the year ended 31 December 2019, and there was no separate segment information other than the entity level information which is prepared since the Group has a single operating segment. As a result of the above changes in segment structure, the comparative figures of segment information have been restated to reflect the classification of the iron concentrate business and gabbro-diabase and stone business during the current year as discontinued operations which are no longer separately assessed or reviewed.

Geographical Segment Information

(a) Revenue from external customers

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Mainland China	**1,896,518**	312,392
Others	**24,282**	–
	1,920,800	312,392

The revenue information from continuing operations above is based on the ports of discharge.

(b) Non-current assets

The Group's non-current assets from continuing operations are mainly based in Hong Kong.

Information about major customers

The analysis of the Group's revenue from continuing operations by major customers (including quotation period price adjustment, however excluding gain or loss on iron ore future/swap contracts), which a single external customer has contributed 10% or more to the Group's revenue, is as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Customer A	**568,373**	–[1]
Customer B	**452,085**	41,571
Customer C	**308,400**	–[1]
Customer D	**219,158**	–[1]
Customer E	**N/A**	153,693
Customer F	**N/A**	54,032

1 *The corresponding revenue did not contribute over 10% of the total revenue of the Group.*

The revenue contributed by the above customers are attributable to the Resources Business segment in both years.

4. REVENUE

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Revenue from contracts with customers	**1,926,074**	312,392
Revenue from other sources:		
Quotation period price adjustments *(Note)*	**(4,713)**	–
Losses on iron ore futures/swap contracts	**(561)**	–
	1,920,800	312,392

Note: Certain of the Group's iron ore products may be provisionally priced at the date when revenue is recognised. The change in value of the provisionally priced receivables is based on the relevant forward market prices and is included in "quotation period price adjustments" above.

Revenue from contracts with customers

(i) Disaggregated revenue information

Segment	Resources Business **2019** ***RMB'000***	2018 *RMB'000* (Restated)
Type of goods		
Sale of iron ores	**1,802,986**	310,290
Sale of coals	**7,570**	2,102
Freight/shipping services	**115,518**	–
Total revenue from contracts with customers	**1,926,074**	312,392
Geographical markets		
Mainland China	**1,898,246**	312,392
Others	**27,828**	–
Total revenue from contracts with customers	**1,926,074**	312,392
Timing of revenue recognition		
Goods transferred at a point in time	**1,810,556**	312,392
Services transferred over time	**115,518**	–
Total revenue from contracts with customers	**1,926,074**	312,392

Notes:

(a) Revenue from external customers by geographical location is based on the ports of discharge.

(b) There were no intersegment sales for the year ended 31 December 2019 (2018: Nil).

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Sale of coals	**7,570**	–

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of iron ores

Each iron ore shipment is governed by a sales contract with the customer, including spot sales agreements and long-term offtake agreements. For the Group's iron ore sales are sold under Cost and Freight Incoterms, whereby the Group is also responsible for providing freight/shipping services. In these situations, the freight/shipping service represents a separate performance obligation.

Revenue from iron ore sales is recognised when control of the iron ore passes to the customer, which generally occurs at a point in time when the iron ore is physically transferred onto a vessel. This is the point where title passes to the customer together with significant risks and rewards of ownership.

Freight/shipping services

Under these freight/shipping arrangements, revenue is recognised over time using an output basis to measure progress towards complete satisfaction of the service as this best represents the Group's performance. This is on the basis that the customer simultaneously receives and consumes the benefits provided by the Group as the services are being provided.

Sale of coals

The performance obligation is satisfied upon delivery of coals, and deposits are normally required before delivery.

5. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

The Group's loss before tax from continuing operations is arrived at after charging/(crediting):

	Notes	**2019** **RMB'000**	2018 *RMB'000* (Restated)
Cost of inventories sold		**1,776,100**	310,049
Shipping costs		**115,518**	–
Gain on iron ore futures/swap contracts included in cost of sales		**(8,837)**	–
Depreciation of items of property, plant and equipment		**216**	43
Depreciation of right-of-use assets	*12(d)*	**126**	–
Amortisation of other long-term assets included in cost of sales	*13*	**7,815**	–
Minimum lease payments under operating leases for office tenancy		**–**	1,009
Lease payments not included in the measurement of lease liabilities	*12(d)*	**1,173**	–
Auditor's remuneration (including out-of-pocket expenses)		**2,673**	2,158
Employee benefit expense (excluding directors' remuneration):			
– Wages, salaries and allowances		**6,036**	3,156
– Pension scheme contributions		**311**	180

6. FINANCE EXPENSE, NET

An analysis of the Group's net finance expense from continuing operations is as follows:

	Note	**2019** **RMB'000**	2018 *RMB'000* (Restated)
Bank interest income		**7,575**	6,731
Interest on bank and other borrowings		**(20,239)**	(5,165)
Guarantee fee		**(1,706)**	–
Interest on lease liabilities	*12(d)*	**(37)**	–
Net foreign exchange losses		**(1,560)**	(2,632)
Bank charges		**(1,121)**	(253)
Finance expense, net		**(17,088)**	(1,319)

7. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The provision for the PRC corporate income tax ("CIT") is based on the CIT rate applicable to the entities located in or deemed to be operating in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2019 and 2018.

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Current – Hong Kong		
Charge for the year	**–**	74
Over provision in prior year	**(113)**	(74)
Current – Mainland China	**239**	54
Total tax charge for the year from continuing operations	**126**	54

There was no tax charge from discontinued operations for the years ended 31 December 2019 and 2018.

The Group has no unrecognised tax loss from continuing operations arising from entities operating in Hong Kong as at 31 December 2019 and 2018. The Group has unrecognised tax losses from continuing operations arising from an entity operating in Mainland China of RMB11,000,000 (2018: Nil) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as it is considered not probable that sufficient taxable profits will be available against which the unused tax losses can be utilised by the Group.

8. DISCONTINUED OPERATIONS

(a) Disposal of Venca

On 31 December 2019, the Company entered into the Sale and Purchase Agreement for the Disposal of Venca (Note 1). As at 31 December 2019, the Disposal Group was classified as a disposal group held for sale and as Discontinued Operations of Venca. The Disposal Group and the iron concentrate business and gabbro-diabase and stone business are no longer included in the Note 3 for operating segment information.

The results of the Disposal Group for the respective years are presented below:

	2019 RMB'000	2018 RMB'000
Revenue	**2,601**	5,741
Cost of sales	**(2,524)**	(3,340)
Other income and gains	**1,515**	–
Selling and distribution costs	**(20)**	(250)
Administrative expenses	**(9,951)**	(15,198)
Impairment losses on property, plant and equipment	**(14,402)**	(59,083)
Impairment losses on intangible assets	**(52)**	(216)
Impairment losses on right-of-use assets (2018: impairment losses on prepaid land lease payments)	**(68)**	(296)
Impairment losses on prepayments and other receivables	**(6,650)**	(1,313)
Impairment losses on other current financial assets	**(750)**	–
Other expenses	**(16,805)**	(16,329)
Finance expense, net	**(1,054)**	(1,179)
Loss before tax from the Discontinued Operations of Venca	**(48,160)**	(91,463)
Income tax expense	**–**	–
Loss for the year from the Discontinued Operations of Venca	**(48,160)**	(91,463)

Loss for the year from the Discontinued Operations of Venca is arrived at after charging/(crediting):

	Notes	2019 RMB'000	2018 RMB'000
Cost of inventories sold		**2,524**	3,340
Depreciation of items of property, plant and equipment		**3,733**	4,187
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)	*12(a), 12(b)*	**32**	37
Minimum lease payments under operating leases for office tenancy		**–**	166
Lease payments not included in the measurement of lease liabilities		**100**	–
(Write-back)/write-down of inventories to net realisable value		**(710)**	258
Estimated possible payments on the outstanding gabbro-diabase resources fee payable		**15,680**	15,680
Employee benefit expense (excluding directors' remuneration)			
– Wages, salaries and allowances		**3,792**	5,399
– Pension scheme contributions		**610**	244
Gross rental income from leasing of equipment		**(1,515)**	–

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 31 December 2019 are as follows:

	Note	2019 *RMB'000*
Assets		
Property, plant and equipment		**185,110**
Intangible assets		**670**
Right-of-use assets	*12(b)*	**874**
Inventories		**522**
Other current financial assets		**4,968**
Prepayments and other receivables		**11,789**
Cash and cash equivalents		**1,014**
Assets of a disposal group classified as held for sale		**204,947**
Liabilities		
Trade and bills payables		**(1,145)**
Other current financial liabilities		**(100,247)**
Contract liabilities		**(180)**
Other payables and accruals		**(2,222)**
Income tax payable		**(3,903)**
Other non-current financial liabilities		**(500)**
Liabilities directly associated with the assets classified as held for sale		**(108,197)**
Net assets directly associated with the Disposal Group		**96,750**

Impairment assessment in 2019

The non-current assets of the Disposal Group were classified as a disposal group held for sale and are measured at the lower of their carrying amounts and fair values less costs to sell. Fair values less costs to sell were estimated based on the consideration negotiated during the Disposal of Venca. The fair values less costs to sell, carrying amounts and impairment provision of the non-current assets of the Disposal Group as at 31 December 2019 are as follows:

	Carrying amounts *RMB'000*	**Fair values less costs to sell** *RMB'000*	**Impairment provision** *RMB'000*
Non-current assets of the Disposal Group	201,176	186,654	14,522

The impairment assessments for the non-current assets of the Disposal Group as at 31 December 2019 resulted in impairment losses on the following assets:

Impairment losses recognised on property, plant and equipment

Impairment losses of RMB14,402,000 (Note 11) was recognised during the year ended 31 December 2019 to write down the carrying amounts of the property, plant and equipment of the Disposal Group to their fair value less costs to sell of RMB185,110,000 as at 31 December 2019 (2018: RMB59,083,000 was recognised during the year ended 31 December 2018 to write down the carrying amounts of the property, plant and equipment to their recoverable amounts of RMB196,057,000).

Impairment losses recognised on intangible assets

Impairment losses of RMB52,000 was recognised during the year ended 31 December 2019 to write down the carrying amounts of the intangible assets of the Disposal Group to their fair value less costs to sell of RMB670,000 as at 31 December 2019 (2018: RMB216,000 was recognised during the year ended 31 December 2018 to write down the carrying amounts of the intangible assets to their recoverable amounts of RMB722,000).

Impairment losses recognised on right-of-use assets (2018: impairment losses recognised on prepaid land lease payments)

Impairment losses of RMB68,000 (Note 12(b)) was recognised during the year ended 31 December 2019 to write down the carrying amounts of the right-of-use assets of the Disposal Group to their fair value less costs to sell of RMB874,000 as at 31 December 2019 (2018: RMB296,000 (Note 12(a)) was recognised during the year ended 31 December 2018 to write down the carrying amounts of the prepaid land lease payments to their recoverable amounts of RMB974,000).

Impairment assessment in 2018

In accordance with the Group's accounting policies, each asset or cash generating unit ("CGU") is evaluated at least annually at the end of each reporting period, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

For the purposes of impairment assessment, the Group's non-current assets are mainly located at the Yanjiazhuang Mine and divided among the iron concentrate CGU and the gabbro-diabase and stone CGU, which are treated as two separate CGUs.

Iron concentrate CGU:

Attributed to the additional time that may be required to obtain the approval for the Renewal of the Mining Permit, the Group's original target to resume the trial production of the iron concentrate business at the Yanjiazhuang Mine would possibly be further postponed. Taking into consideration the increase in uncertainty in connection with the Renewal, the aforesaid possible delay in production, the business nature and prospect of Xingye Mining, the risk premium, and therefore, the discount rate applied to the 2018 Assessment (as defined below) have been increased. In view of these, management has performed an impairment assessment on the carrying amounts of the Group's property, plant and equipment, intangible assets and prepaid land lease payments of the iron concentrate CGU at 31 December 2018 (the "2018 Assessment").

In assessing whether impairment is required, the carrying value of the assets of the iron concentrate CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use ("VIU"). The recoverable amount of the iron concentrate CGU was estimated based on its VIU as determined by discounting the future cash flows to be generated from the continuing use of this CGU, rather than its fair value less costs of disposal which could not capture its future earning potential, and with reference to the valuation report issued by an independent professionally qualified valuer. The recoverable amount of the iron concentrate CGU was determined based on a VIU calculation using cash flow projections according to financial budgets covering the six-year period approved by the management of Xingye Mining with a pre-tax discount rate of approximately 22.65%. For the 2018 Assessment, the CGU cash flows beyond the six-year period are extrapolated using a 2% growth rate, which was the expected inflation rate, until the depletion of estimated proved and probable ore reserves. Other key assumptions used in the estimation of VIU for the iron concentrate CGU are summarised as follows:

Recoverable reserves – Economic recoverable reserves represent Xingye Mining management's expectations at the time of impairment testing, which comprise estimated proved and probable ore reserves of approximately 260 Mt based on an independent technical report of the Yanjiazhuang Mine dated 21 June 2011 (the "ITR"). However, the Mining Permit had expired in July 2017. In 2017, the application for the Renewal had been made by the management of Xingye Mining, the registered holder of the Mining Permit, to the relevant government authorities in the PRC. Throughout the year ended 31 December 2018, the management of Xingye Mining has been working closely with various PRC government authorities in respect of the Renewal. Despite the effort of Xingye Mining, the Renewal application has not been processed by the relevant government authority during the year ended 31 December 2018 and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. According to the local authority, Xingye Mining could re-submit the Renewal application once it has resolved and obtained certain requisite documents, including, among others, the adjustment to the mining area, the settlement of remaining outstanding resources fees, and certain documents and reports to support the Renewal application. The management of Xingye Mining has been working closely with the local authority to find a mutually agreeable solution to the adjustment to the mining area, including the proposal to narrow down the Yanjiazhuang Mine area (as aforesaid). The management of Xingye Mining has also commenced the preparation of the required reports with a view to pushing forward the Renewal application. The Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities. Therefore, the estimated cash flow projections have been extended to future periods until the depletion of estimated proved and probable ore reserves.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins of the first six-year period in the range of 25% to 30% for the 2018 Assessment are based on the industry average gross margin achieved, adjusted for Xingye Mining management's expectations for possible changes in the production costs and estimated market prices. The budgeted gross margins beyond the first six-year period are based on the estimated long term sales price of iron concentrates as reference to the relevant market and/or analyst researches of approximately RMB710 per tonne and unit production cost of about 53% of sales according to the ITR recommendation with inflation adjustment. These market inputs have been changed as there were changes in market expectations and conditions from time to time. In addition to the above, in order to foster the local villagers to resolve the local matters in an agreeable manner, the management of Xingye Mining devised a preliminary proposal that, by allowing the local villagers to participate in Xingye Mining's mining operations at the Yanjiazhuang Mine, the local villagers could be awarded based on the sales performance of the iron concentrate business (when resumed). Such award sharing proposal, when crystallised, represents the additional costs to the Yanjiazhuang Mine and inevitably leads to the possible reduction in the profitability of the iron concentrate CGU in the long run. Such proposal is, however, still subject to more negotiations with the local village representatives as well as the local authorities, finalisation and also to the Renewal. The award to the local villagers was included in the impairment testing as additional costs for the 2018 Assessment.

Production volumes and production start date – Estimated production volumes of the first six-year period of approximately 2.6 Mt, in aggregate, and the estimated production start date has been delayed based on the detailed mine plans and take into account the latest assessment of the additional time that may be required to obtain the approval for the adjustment of the forestry ecology planning covering the Yanjiazhuang Mine area and the Renewal, and development plans of the Yanjiazhuang Mine agreed by the management of Xingye Mining. The production volumes beyond the aforesaid period largely follow the ITR.

Capital expenditures – Estimated routine and replacement capital expenditures, including the remaining capital expenditures for phase two and phase three of the Company's three-phase expansion plan in respect of the Yanjiazhuang Mine and the fees of mining rights, have been estimated based on Xingye Mining management's expectations for the development plan of the Yanjiazhuang Mine and taken into account the newly-issued rules concerning fees of mining rights that could apply to the renewed mining rights in future.

Discount rate – The discount rate used is pre-tax and reflects specific risks associated with the Group and/or its business and takes into account the industry's capital structure and applicable market borrowing costs at the time of the impairment test. The applicable discount rate increased to approximately 22.65% for the 2018 Assessment so as to reflect the increase in uncertainty in connection with the Renewal and the aforesaid possible delay in production, the business nature and prospect of Xingye Mining.

The values assigned to key assumptions are consistent with external information sources, where appropriate.

Gabbro-diabase and stone CGU:

In assessing whether an impairment is required, the carrying value of the assets of the gabbro-diabase and stone CGU is compared with its recoverable amount, which is the higher of the fair value less costs of disposal and its VIU. Attributed to the absence of reliably estimated cash flow projections in view of the disaster arisen from inclement weather in Hebei Province, the PRC in late July 2016 and the suspension of production of the gabbro-diabase and stone business since 2016, a formal estimate of the recoverable amount is performed and the recoverable value of the gabbro-diabase and stone CGU was determined based on fair value less costs of disposal, and with reference to the valuation report issued by an independent professionally qualified valuer.

Fair values are measured using valuation techniques including the analytical trending method and the analysis of observable market inputs from recognised sources or prices (or the replacement costs) of similar or comparable assets from a secondary market with adjustments for inflation (with reference to the relevant producer price index), useful life calculation, deterioration, obsolescence, marketability and other relevant factors. Fair value represents the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement of the gabbro-diabase and stone CGU was categorised under the level 3 fair value hierarchy. The significant unobservable inputs used to determine the fair value for the year ended 31 December 2018 were (i) the marketability, (ii) the useful life calculation and (iii) the residual value.

Based on the above-mentioned impairment assessments, the recoverable amounts, carrying amounts and impairment provision of the iron concentrate CGU and the gabbro-diabase and stone CGU as at 31 December 2018 are as follows:

	Recoverable amounts *RMB'000*	**Carrying amounts after impairment** *RMB'000*	**Impairment provision** *RMB'000*
Iron concentrate CGU of the Disposal Group	197,000	193,679	58,294
Gabbro-diabase and stone CGU of the Disposal Group	4,664	4,074	1,301

(b) Disposal of car-park business

Upon the completion of the disposal of the car-park business during the year ended 31 December 2018, the Group ceased and discontinued the business of the operation and management of car-parking spaces.

The results of the discontinued operation of the car-park business for the year ended 31 December 2018 are presented below:

	2018 *RMB'000*
Revenue	1,562
Cost of sales	(1,849)
Administrative expenses	(544)
Other expenses	(560)
Gain on disposal of a subsidiary	104
Finance expense, net	(1)
Loss before tax from the discontinued operation of the car-park business	(1,288)
Income tax expense	–
Loss for the year from the discontinued operation of the car-park business	(1,288)

Loss for the year ended 31 December 2018 from the discontinued operation of car-park business is arrived at after charging:

	2018 *RMB'000*
Cost of services provided	1,849
Depreciation of items of property, plant and equipment	35
Minimum lease payments under operating leases for a car-park	1,557
Employee benefit expenses	
– Wages, salaries and allowances	666
– Pension scheme contributions	7

(c) The net cash flows incurred by the discontinued operations of Venca and the car-park business are as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Operating activities	**(3,580)**	(380)
Investing activities	**(150)**	(13)
Financing activities	**–**	–
Effect of foreign exchange rate changes, net	**–**	(102)
Net cash outflows	**(3,730)**	(495)

(d) Loss per share

	2019	2018
		(Restated)
Loss per share from the discontinued operations of Venca and the car-park business:		
Basic and diluted *(RMB cents)*	**(1.19)**	(2.28)

The calculation of basic loss per share from the discontinued operations of Venca and the car-park business is based on:

	2019	2018
		(Restated)
Loss		
Loss attributable to ordinary equity holders of the Company, from the discontinued operations, used in the basic loss per share calculation *(RMB'000)*	**(47,679)**	(91,186)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation *(thousands of shares)* *(Note 10)*	**4,000,000**	4,000,000

Diluted loss per share from the discontinued operations was the same as the basic loss per share from the discontinued operations as the Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

(e) Commitments – Property, plant and equipment

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for	**38,595**	38,595

9. DIVIDEND

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019 (2018: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the years attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 4,000,000,000 in issue during the years ended 31 December 2019 and 2018.

The calculation of basic loss per share is based on:

	2019	2018 (Restated)
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation		
From continuing operations *(RMB'000)*	**(22,005)**	(14,820)
From discontinued operations *(RMB'000)*	**(47,679)**	(91,186)
	(69,684)	(106,006)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation *(thousands of shares)*	**4,000,000**	4,000,000

Diluted loss per share was the same as the basic loss per share as the Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Motor vehicles, fixtures and others *RMB'000*	Machinery *RMB'000*	Mining infrastructure *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2018	62,239	6,161	104,396	165,199	402,701	740,696
Additions	–	493	7	–	291	791
Disposal of a subsidiary	–	(165)	–	–	–	(165)
Write-off	–	(722)	–	–	–	(722)
Exchange realignment	–	6	–	–	–	6
At 31 December 2018 and 1 January 2019	**62,239**	**5,773**	**104,403**	**165,199**	**402,992**	**740,606**
Additions	**–**	**719**	**236**	**–**	**–**	**955**
Reclassification to assets held for sale *(Note 8(a))*	**(62,239)**	**(5,044)**	**(104,639)**	**(165,199)**	**(402,992)**	**(740,113)**
Exchange realignment	**–**	**(2)**	**–**	**–**	**–**	**(2)**
At 31 December 2019	**–**	**1,446**	**–**	**–**	**–**	**1,446**
Accumulated depreciation and impairment:						
At 1 January 2018	(42,308)	(4,751)	(78,026)	(98,569)	(250,880)	(474,534)
Provided for the year	(1,074)	(459)	(2,732)	–	–	(4,265)
Impairment recognised during the year	(4,446)	(10)	(4,708)	(15,837)	(34,082)	(59,083)
Disposal of a subsidiary	–	93	–	–	–	93
Write-off	–	722	–	–	–	722
Exchange realignment	–	(3)	–	–	–	(3)
At 31 December 2018 and 1 January 2019	**(47,828)**	**(4,408)**	**(85,466)**	**(114,406)**	**(284,962)**	**(537,070)**
Provided for the year	**(937)**	**(501)**	**(2,511)**	**–**	**–**	**(3,949)**
Impairment recognised during the year *(Note 8(a))*	**(973)**	**(37)**	**(1,203)**	**(3,667)**	**(8,522)**	**(14,402)**
Reclassification to assets held for sale *(Note 8(a))*	**49,738**	**4,528**	**89,180**	**118,073**	**293,484**	**555,003**
At 31 December 2019	**–**	**(418)**	**–**	**–**	**–**	**(418)**
Net carrying amount:						
At 31 December 2019	**–**	**1,028**	**–**	**–**	**–**	**1,028**
At 31 December 2018	14,411	1,365	18,937	50,793	118,030	203,536

12. LEASES

The Group as a lessee

(a) Prepaid land lease payments (before 1 January 2019)

	Notes	*RMB'000*
Carrying amount at 1 January 2018		1,307
Amortised during the year	*8(a)*	(37)
Impairment recognised for the year	*8(a)*	(296)
Carrying amount at 31 December 2018		974
Current portion included in prepayments and other receivables		(32)
Non-current portion		942

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Notes	**Prepaid land lease payments** *RMB'000*	**Office premises*** *RMB'000*	**Total** *RMB'000*
As at 1 January 2019		**974**	**–**	**974**
Additions		**–**	**2,287**	**2,287**
Exchange realignment		**–**	**(11)**	**(11)**
Depreciation charge	*8(a)*	**(32)**	**(126)**	**(158)**
Impairment recognised during the year	*8(a)*	**(68)**	**–**	**(68)**
Reclassification to assets held for sale	*8(a)*	**(874)**	**–**	**(874)**
As at 31 December 2019		**–**	**2,150**	**2,150**

* *The Group has a lease contract for office premises used in its continuing operations. The lease of office premises generally has a lease term of 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.*

(c) ***Lease liabilities***

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2019
	RMB'000
Carrying amount at 1 January	**2,880**
New leases	**2,287**
Accretion of interest recognised during the year	**37**
Payments	**(146)**
Reclassification to liabilities held for sale	**(2,880)**
Exchange realignment	**(11)**
Carrying amount at 31 December	**2,167**
Analysed into:	
Current portion	**696**
Non-current portion	**1,471**

(d) The amounts recognised in profit or loss from continuing operations in relation to leases are as follows:

		2019
	Notes	*RMB'000*
Interest on lease liabilities	*6*	**37**
Depreciation charge of right-of-use assets	*5*	**126**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	*5*	**1,173**
Total amount of recognised in profit or loss		**1,336**

(e) ***Extension option***

The Group has a lease contract that include an extension option. This option is negotiated by management to provide flexibility in managing the leased-asset portfolio and it is aligned with the Group's business needs. Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of the extension option that is not included in the lease terms:

	Payable within five years
	RMB'000
Extension option expected not to be exercised	**1,763**

(f) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in Note 16(c).

13. OTHER LONG-TERM ASSETS

	Note	2019 RMB'000	2018 RMB'000
At 1 January		**–**	–
Additions		**131,580**	–
Amortisation provided	*5*	**(7,815)**	–
Exchange realignment		**1,770**	–
At 31 December		**125,535**	–

On 31 May 2019, the Company entered into the Assignment and Novation Agreement with Shougang Concord International with a total consideration of HK$150 million (equivalent to approximately RMB131,580,000), pursuant to which the contractual rights and obligations to purchase hematite ore from the Hematite Mine under the Long Term Hematite Supply Agreement will be assigned and novated to the Group (the "Contract"). The Contract entitled the Group to purchase the hematite ore from the Hematite Mine in such annual quantity as equals 80% of total available production of the Hematite Mine during each contract year from the effective date of the Contract to the date of permanent cessation of the mining operations at the Hematite Mine.

The Hematite Mine has recommenced its shipment of high grade hematite ore during the year. Based on the prevailing business circumstances, it is considered to be more appropriate to account for the Contract as a contract for own-use by the Group. In view of the future outputs that will be physically delivered by the supplier and the purchases at discount by the Group that will not be net settled in cash under the Contract, the consideration is treated as a non-current asset which is stated at cost less accumulated amortisation and any impairment losses and is amortised to match with the physical delivery of commodities under the Contract.

For the year ended 31 December 2019, amortisation of RMB7,815,000 (2018: Nil) (Note 5) has been recognised in the cost of sales.

14. TRADE AND BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**13,413**	–
Bills receivables	**279,441**	–
	292,854	–

The Group's trading terms with its customers generally require deposits or usance letters of credit, except for creditworthy customers to whom credits are granted. Generally, on presentation of shipping documents and the provisional invoices, the customers shall settle 95% or more of invoiced value of the cargoes within prescribed payment due dates and the remaining sales proceeds shall be settled within 30 days from the dates of the final invoices. The vast majority of sales is invoiced and received in US$.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Group has not held any collateral or other credit enhancements over its trade receivable balances.

At 31 December 2019, the Group has transferred a bills of exchange amounting to RMB15,349,000 (2018: Nil) to a bank with recourse in exchange for cash. Subsequent to the transfer, the Group continues to be exposed to default risk but does not retain any rights on the use of the bills receivables, including the sale, transfer or pledge of the bills receivables to any third parties. The proceeds from transferring the bills receivables were accounted for as collateralised bank advances and included in interest-bearing bank and other borrowings of RMB15,349,000 (2018: Nil) at the year end until the bills are collected or the Group makes good of any losses incurred by the bank.

As at 31 December 2019 and 2018, the trade and bills receivables were non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, net of loss allowance, is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Within 3 months	**13,413**	–

15. TRADE AND BILLS PAYABLES

A significant portion of the Group's purchases are settled by usance letters of credit up to a tenor of 120 days. As at 31 December 2019, the Group's bills payables amounted to approximately RMB184,407,000 (2018: Nil). An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Within 3 months	**255,751**	322
3 months to 1 year	**–**	–
Over 1 year	**–**	803
	255,751	1,125

The Group's trade and bills payables were non-interest-bearing as at 31 December 2019 and 2018.

16. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,287,000 and RMB2,287,000, respectively, in respect of lease arrangements for office premises (2018: Nil).

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings
	RMB'000
At 1 January 2018	208,975
Foreign exchange movement	10,075
At 31 December 2018	219,050
Effect of adoption of IFRS 16	2,880
At 1 January 2019 (restated)	**221,930**
Changes from financing cash flows	**290,514**
New leases	**2,287**
Reclassification to liabilities held for sale	**(2,880)**
Foreign exchange movement	**9,344**
At 31 December 2019	**521,195**

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2019
	RMB'000
Within operating activities	**(1,273)**
Within investing activities	**–**
Within financing activities	**(146)**
	(1,419)

17. EVENTS AFTER THE REPORTING PERIOD

The estimates of expected credit loss at 31 December 2019 was made based on a range of forecasted economic conditions prevailing or anticipated as at that date. Since January 2020, the outbreak of coronavirus ("COVID-19") has spread across Mainland China and beyond, causing disruption to business and economic activities. The Group considers COVID-19 to be a non-adjusting post balance sheet event and the impact on economic and other key indicators will be incorporated into the Group's estimates of expected credit loss provisions in 2020.

In addition, COVID-19 has inevitably caused negative impacts on the global markets and economy, mainly due to delayed work resumption in China, restrictions and bans on passenger traffic to control the spread of COVID-19, more stringent mandatory quarantine requirements on vessels imposed by ports, leading to a certain extent of negative impact to the Group's operations and business profitability in 2020.

The degree of impact to the Group will be dependent on, among others, the duration of COVID-19, the outcome of various preventive measures to contain COVID-19 by respective governments across the world, and the policies and measures to support or stimulate the economy. The Group shall keep abreast of the development of COVID-19 and evaluate the situation and impacts on the Group's business development and expansion, operating and financial performance in a timely manner.

18. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period (Note 8).

CHAIRMAN'S STATEMENT

Dear Shareholders,

2019 was a year full of changes, challenges and opportunities for the Group's business operation and development.

Since 2016, the Group has made substantive efforts to grow its iron ore trading business which evolved into the Resources Business of iron ore and other commodities. Over the past few years, the Group has started business dealings with the MGI Group through the sourcing of hematite ore on an individual contract basis. During the Reporting Period, in May 2019, the Company entered into the Assignment and Novation Agreement with Shougang Concord International for the acquisition of the contractual rights and obligations to purchase hematite ore from the Hematite Mine. The Hematite Mine is well known for its high grade quality hematite ore and Koolan is an established producer of high quality, direct shipping grade iron ore products in Australia. Apart from the supply from the Hematite Mine, the Group has been sparing no effort in expanding the supplier network and building relationships with mine owners, with a view to improving the quality and reducing the per unit cost of products offered on the one hand, and diversifying the Group's product offerings on the other hand. As a result, the Group also sourced new iron ore supplies from other overseas mines in Australia, South Africa and Brazil during the Reporting Period. The Group has demonstrated its ability to engage new suppliers and will continue in its persistent drive for expansion of its supplier network.

In addition to the high grade product offerings and products diversification, the Group also provides vessel and other logistic arrangements for its cargoes and arranges its Resources Business under different shipment terms so as to accommodate the customers' needs and extend the business reach to new customers. The Group has also adjusted its pricing strategy for iron ore products during the Reporting Period and started to adopt hedging tools such as iron ore futures and swaps to manage the operational risks that may arise from hematite ore supply under the Restated Long Term Hematite Supply Agreement.

Last, but not the least, in order to support the growth in business volume and scale of the Resources Business, the Group has been expanding its business development team during the Reporting Period, which now comprised of an experienced market and industry leader, operation and finance staff members, shipping specialists and designated hedging executives.

The Group sold approximately 3.0 Mt of iron ore (2018: approximately 0.9 Mt) and recognised revenue from the sales of iron ore under the Resources Business during FY 2019 of approximately RMB1,913.2 million (2018: approximately RMB310.3 million (restated)), representing an increase by more than five times. Through our efforts in evolution of and scaling up the Resources Business, the Group has achieved an increase in overall gross profit to RMB30.2 million (2018: approximately RMB2.3 million (restated)), representing a gross profit margin of approximately 1.6% for the Reporting Period (2018: approximately 0.7% (restated)).

Looking ahead, the Group will continue to identify and explore new supplies of iron ore and other commodities and evaluate and secure possible long-term business and offtake relationships with suppliers so as to expand and further diversify the Group's product offerings. On the other hand, I have instructed the Group's management to keep focusing on managing the inventory level, securing more favourable banking facilities and other re-financing options so as to reduce the cash requirements for the Resources Business and support the continual business expansion.

As regard our Mining Business at the Yanjiazhuang Mine, in December 2019, the Company entered into the Sale and Purchase Agreement in relation to the Disposal of the Disposal Company, which indirectly owns the Group's entire interests in the Yanjiazhuang Mine, for a total consideration of HK$109 million. It is believed that the Disposal, when duly completed, will provide the Group with additional cash to support the expansion of the Resources Business and reduce the level of the Group's borrowings, which will help reducing the Group's finance costs.

Amid fragile global economic outlook under COVID-19 and the trade friction between the United States of America and China, these pose greater risk and difficulty to the Group's Resources Business in the near term. However, I am cautiously optimistic that the PRC Government will launch more supportive fiscal and monetary policies to contain the temporary shock to economy brought by COVID-19, which shall be beneficial to the development of the Group's business in the long run.

Regretfully, Mr. Wu Wai Leung, Danny and Mr. Li Changfa left the Group due to their desire to devote more time on personal affairs. Taking this opportunity, I would like to express my sincere gratitude to Mr. Wu Wai Leung, Danny and Mr. Li Changfa for their valuable contributions to the Group. And I, jointly with our Board members, would like to wish them every success in all pursuits in the future.

In closing, I would like to express my heartfelt gratitude to my fellow Board members, our management team and all the staff members for their dedication and commitment made for the Group. On behalf of the Board, I would like to express my sincere thanks to the Shareholders, customers, suppliers, banks and business partners for their continuous support.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

	2019	2018
	RMB'million	*RMB'million*
		(Restated)
Continuing operations		
Revenue	**1,920.8**	312.4
Gross Profit	**30.2**	2.3
Loss for the Year	**(22.0)**	(14.8)
EBITDA[1]	**19.3**	(9.5)
Basic Loss per Share *(RMB cents)*	**(0.55)**	(0.37)

	2019	2018
	RMB'million	*RMB'million*
The Group		
Total Assets	**1,114.1**	610.9
Total Equity	**210.4**	280.0
Net Cash Position[2]	**N/A**	98.0
Net Debt[3]	**114.5**	N/A

	2019	2018
The Group		
Liquidity Ratio[4]	**1.2**	1.2
Net Gearing Ratio[5]	**54%**	N/A

1 *EBITDA is defined as profit/(loss) before interest, tax, depreciation, amortisation and impairment loss for the continuing operations*

2 *Net Cash Position is defined as cash and bank balances less total interest-bearing liabilities*

3 *Net Debt is defined as total interest-bearing liabilities less cash and bank balances*

4 *Liquidity Ratio is computed from total current assets divided by total current liabilities*

5 *Net Gearing Ratio is computed as the Net Debt divided by total equity*

The Group's Business Profile, Strategies and Development

Over the past few years, the Group has made substantive efforts to develop its trading business of iron ore and other commodities (the "Trading Business"). In 2019, the Group has implemented several changes and improvements to the Trading Business model and made progress in improving its profitability and sustainability. In particular, to cope with the growth in the Trading Business, the Group had expanded the supplier network which now includes mostly mine owners. With the success in securing the Restated Long Term Hematite Supply Agreement and other supply contracts with mine owners, the Group's management secure stable and sustainable supply of quality iron ore from reputable overseas mines. Apart from this, through building up the professional business development team, the Group has been able to establish business relationships with the sourcing arms of end-user steel mills and the trading arms of State-owned enterprises with stable and growing businesses.

Through securing the stable and sustainable supply of quality iron ore and other commodities from reputable overseas mines on a long-term basis, the Group has transformed from a pure mine owner and operator, which essentially involves the investment in and operation of mines and the sale of resources extracted therefrom, into a commodity supplier, specialising in offering of a wide spectrum of iron ore products and other commodities and the distribution of resources extracted by and sourced from its own mine and/or other independent mine owners. As such, the business of the Group has successfully evolved into a resources business (the "Resources Business"), which is believed to be more adaptable with a competitive edge under the global economy which is now in a synchronised slowdown and may be worsen due to the trade conflicts and COVID-19.

The Resources Business (which evolved from the Trading Business) has already developed into a sophisticated operation that covers a full range of operations and value-adding services including (i) the sourcing of medium to long term supply of resources and commodities; (ii) the identification and exploration of new customer business relationships, needs and services (i.e. business and market development, marketing and customer services); (iii) the provision of logistics and distribution services; and (iv) the adoption of hedging instruments and insurances to manage the business risks.

Apart from these, the Group will continue to evaluate and pursue new business opportunities so as to develop Resources Business and seek potential offtake or long term supply agreements, with the aim of bringing in more sustainable income and profit to the Group.

During the Reporting Period, the operation at the Yanjiazhuang Mine has yet to resume. In view of the uncertainties about the future development of the mining business at the Yanjiazhuang Mine (the "Mining Business", which included the iron concentrate business and the gabbro-diabase and stone business) and taking into account its available financial and other resources, the Group, through Xingye Mining, had conducted an assessment of the feasibility and economic viability of various business development plans in relation to the Yanjiazhuang Mine. This strategic review had been conducted with a view to enhancing the utilisation of the Group's assets and capturing the business opportunities that are available in the Yanjiazhuang Mine area from time to time. As a result, the Group had decided to realise its entire interests in the Yanjiazhuang Mine for better deployment of the Group's financial and non-financial resources. In December 2019, the Group entered into the Sale and Purchase Agreement in relation to the Disposal.

Business Review

Resources Business

Since 2016, the Group has been making substantive efforts to develop the Trading Business, which at present is the core source of revenue of the Group. As discussed earlier, the Group's Trading Business (which has now transformed into the Resources Business) has already developed into a sophisticated operation that covers a full range of operations and value-adding services.

The Group is primarily responsible for market and business development, trade negotiations, and exploring and understanding the needs and demands of customers in various markets including product types, iron quality, quantity and timing.

In addition, the Group carries out business negotiations with suppliers (mine owners) and vessel owners for product supply, vessel chartering and delivery logistics, respectively, so as to secure the supply of the required products from mine owners and deliver them to the customers on a timely basis. The Group has its shipping specialists solely responsible for vessel chartering, liaison of shipment schedules and vessel nomination, day-to-day communication of vessel updates with vessel owners, suppliers and customers, and the import-export agents at various loading and discharge ports, and execution of various insurances to mitigate the business risks that may arise from vessel chartering and inventory losses.

Furthermore, the Group has developed its standard business contracts and terms for the Resources Business, as well as invoices, billings and related documentations for use in its negotiations with customers on the procurement and sales operations. Under the Restated Long Term Hematite Supply Agreement and other purchases contracts, the Group is primarily responsible for the underlying hematite ores and iron ore products, which are the Group's inventories. Then, these inventories are sold to the customers when the Group's business development team has successfully secured and concluded the sales contracts with the customers. In the business negotiations, the Group's business development team has exercised its discretion and judgements in establishing the pricing for iron ore products with reference to the market information and prevailing indexes.

The Group has designated personnel overseeing the collection of trade receivables from customers for exports and the settlement of purchases payables to suppliers for imports. Indeed, the Group has been in contact with various banks in Hong Kong for the grant of trade finance facilities with favourable terms (such as less cash collateral requirements, lower bank handling charges and/or interest rates). To manage the recoverability of trade receivables arising from overseas shipments, the Group prepared and liaised with the banks, customers and suppliers for the documentary credit arrangements, and trade collections from banks and customers on a frequent basis.

Last, but not the least, the Group also has designated hedging executives who are responsible for the execution of approved hedge strategy and hedging instruments to manage the Group's exposures over iron ore price fluctuation. As the Group has secured certain long term supply of iron ore, the Group is exposed to commodity price risk arising from long term supply of iron ore and market price fluctuation.

The Group's management is well positioned to capture business opportunities and customers' and/or suppliers' needs that may arise in the operations of the Resources Business from time to time. As a result, with the management and business development team support, the Group is able to improve its operating results and profitability through capturing the shift in product demands for high-grade iron ore in the Reporting Period under tight product supply and high iron ore market price with the risks from iron ore price fluctuation reasonably managed.

During the Reporting Period, the Group sold approximately 3.0 Mt of iron ore (2018: approximately 0.9 Mt) and recognised revenue from the sales of iron ore under the Resources Business of approximately RMB1,913.2 million (2018: approximately RMB310.3 million (restated)), representing an increase by more than 5 times. Through the evolution and scaling-up of the Resources Business, the Group also achieved an increase in overall gross profit to approximately RMB30.2 million (2018: approximately RMB2.3 million (restated)) representing a gross profit margin of approximately 1.6% for the Reporting Period (2018: approximately 0.7% (restated)).

Since the first half of 2017, the Group has started business dealings with the MGI Group through the sourcing of hematite ore on an individual contract basis. The Group has endeavoured to secure the supply of iron ore from the MGI Group at competitive market prices. With the management's effort, the Company entered into the Assignment and Novation Agreement with Shougang Concord International on 31 May 2019 for the acquisition of the contractual rights and obligations to purchase hematite ore from the Hematite Mine owned by Koolan, a subsidiary of MGI which is an established producer of high quality, direct shipping grade iron ore products in Australia. Hematite ore is iron ore of high grade for direct shipping ore sales. Pursuant to the Assignment and Novation Agreement, Shougang Concord International and its subsidiary SCIT assigned and novated their respective rights and obligations under the Long Term Hematite Supply Agreement to the Company and Ace Profit (through the Novation Deed and the Restated Long Term Hematite Supply Agreement) at a total consideration of HK$150 million. Capitalising on the mutual trust established with the MGI Group, the Group entered into the Novation Deed (and the Restated Long Term Hematite Supply Agreement) so as to secure the continual supply of hematite ore at competitive prices, which are to be determined based on the agreed market pricing formulae taking into account the relevant benchmark prices and indexes commonly adopted and perceived to be of authoritative and reference value published from time to time by the recognised institutions in the iron ore industry, and an agreed percentage discount.

According to the offtake arrangement under the Restated Long Term Hematite Supply Agreement, Koolan shall supply and sell hematite ore to be sourced from the Hematite Mine in such annual quantity as equals 80% of Koolan's total available production to Ace Profit during each contract year from the effective date of the Novation Deed to the date of permanent cessation of Koolan's mining operations at the Hematite Mine. Iron ore sourced from Australian mines are highly endorsed by the Group's customers and in the market for their quality and are especially sought-after among the trading-arms of steel mills and State-owned enterprises in the PRC during the Reporting Period.

The Group believes that the Restated Long Term Hematite Supply Agreement is a key milestone to the Group's development of the Resources Business in the long run. With the Restated Long Term Hematite Supply Agreement, not only will the Group be able to cement its amicable long-term relationship with MGI and Koolan, but it will also be assured of the stable and quality supply of Australian-sourced iron ore to the customers, especially Chinese steelmakers who have been seeking higher quality ores in the event of any surge in future demand and/or market prices. The Political Bureau of the PRC Government has made stabilising economic growth and achieving all development goals set out in the 13th five-year plan their top priority in 2020. In tandem, the PRC Government will launch more supportive fiscal and monetary policies to stabilise the property sector and to further support infrastructure and manufacturing. With the sustainable and quality supply of iron ore, the Group is cautiously optimistic about the further expansion of the Resources Business in 2020 amid the fragile global economic outlook under COVID-19, as China's deep pockets will likely fund a big infrastructure push accompanying a range of fiscal stimulus measures to contain the temporary shock to economy brought by COVID-19.

Apart from the hematite ore supply from Koolan, the Group also sourced new supplies from other overseas mines, including the supply of high grade iron pellet from an iron mine located in Australia under an annual supply agreement, the magnetite ore from South Africa, the iron ore sinter feed from Brazil, and the low-grade hematite fines and lumps from Australia. The Restated Long Term Hematite Supply Agreement and the aforesaid new iron ore supplies illustrated the Group's continual effort and success in growing the Resources Business with the professional trade team. The Group's business reputation and good relationships with suppliers are gradually building up in the iron ore industry in recent years.

Going forward, the Group will continue to identify and explore new supplies of iron ore and other commodities and evaluate and secure possible long-term business and offtake relationships with suppliers so as to expand and diversify the Group's product offerings.

In addition to the supply-side, the Group has also been working on the strengthening of the customer business network so that, with the stable long-term supply of quality products, the Group could develop and improve customer relations with good business continuity and repeated orders so as to support the Resources Business with sustainable growth in the long run.

During the Reporting Period, the Group started to identify target customer groups for high grade iron ore products, and has successfully engaged in the sales of these products to a different customer segment which are also trading arms of steel mills and State-owned enterprises with demand for high grade hematite ore and iron pellet. Since there was a shift in the Group's product offerings from low grade products in 2018 to high grade hematite ore and iron pellet for the Reporting Period, the Group's business development team has devoted substantial effort in identifying and securing new customers and developing the customer network.

To build up and expand the customer bases, the Group's business development team has been travelling around in China with frequent visits to steel mills and the State-owned enterprises to understand the needs and demands of these customers. They have also travelled to other countries, like South Korea, to explore potential businesses outside China. After the business relationships have been established and/or the sales have been made, the team has had follow-up calls and visits to hear and understand the responses from the customers, which include issues on quality specifications, usage and timeliness of products supplied, logistic matters and rooms for improvement. Through active and close contact with customers and understanding the needs (including products, quality, quantity and timing) of the customers, the Group has been able to establish business relationships with the sourcing arms of steel mills and the trading arms of State-owned enterprises with repeated orders, stable and growing businesses.

During the Reporting Period, the business development team has been successful in matching the product supply with the needs of customers in a timely manner which helped the Group to reduce the risk of slow-moving inventories and smooth out the cash needs for expansion of the Resources Business.

In order to support the growth in business volume and scale of the Resources Business during the Reporting Period, the Group has been expanding its business development team which has devoted substantial efforts in liaising with suppliers and vessel owners for commodities supply and delivery, identifying and securing new customers and developing the customer network, and the execution of hedging orders.

In addition to the high grade product offerings, the Group also provides vessel and other logistic arrangements for its cargoes and arranges its Resources Business under different shipment terms so as to accommodate the customers' needs and extend the business reach to new suppliers and customers. The Group has also adjusted its pricing strategy for iron ore products during the Reporting Period and started to adopt hedging tools such as iron ore futures and swaps to manage the operational risks that may arise from hematite ore supply under the Restated Long Term Hematite Supply Agreement. During the Reporting Period, the Group, through the designated hedging executives, has started to manage its exposure over iron ore price fluctuation by entering into iron ore futures and swaps in the Singapore Exchange Ltd. Through these hedging instruments, the Group shall be able to hedge against the financial impacts on the iron ore supply and sales contracts for the fluctuations in iron ore prices arising from the benchmark prices and indexes under different pricing periods.

In 2019, the iron ore prices for 65% Fe grade iron ore was volatile, and reached the five-year record-high of more than US$130 per tonne in July 2019. However, the market situation changed markedly since then and the market prices once fell to a low of around US$90 per tonne in August and November 2019 due to ample supply and the outlook for China's steel market softened, and then recovered and remained steady in the range of US$100 per tonne for the rest of 2019 (2018: in the range of US$64 to US$77 per tonne for 62% Fe grade iron ore). The reasons for the continued strong iron ore market prices in 2019, as compared to 2018 which is on average about US$69 per tonne, were mainly due to the shortages of iron ore supply following the collapse of tailings dam in a major iron mine in Brazil in January 2019 and the production outages owing to bad weather conditions and after-effects of severe cyclones damaging infrastructure of miners in Australia in 2019. Riding on the market iron ore price trend and more high grade products being sold in 2019, the average unit selling price for iron ore sold by the Group was approximately US$92 per tonne for the Reporting Period (Corresponding Prior Period: approximately US$54 per tonne). The wet weather in Brazil and the ex-Tropical Cyclone Blake and other weather events in Western Australia lower the supply of high grade iron ore in early 2020. Together with the strong steel margins, most market sources expected that 65% Fe grade iron ore and 62% Fe grade iron ore spreads would continue to widen. On the other hand, some commentary said higher grade iron ore (65% Fe grade iron ore) would be the most impacted by current market conditions due to steel mills gravitating to lower grade materials to offset falling steel mill margins and a reduction in steel output. To tackle the possible shift in market demands, the Group has secured the new supply of lower grade products from an Australian mine to compliment the iron ore product mix of the Group.

With the long-term supply on hand and the substantial growth in business volume, the Group's management has also been focusing on managing the inventory level, banking facilities and other financing options so as to minimise the cash requirements for the Resources Business operation during the Reporting Period and the continual business expansion going forwards.

It is believed that the Resources Business, with the continual effort of the Group's management, the stable and sustainable supply of high-grade iron ore, expanding customer base and more favourable trade finance facilities from banks, could continue to grow and bring in strong income, profit and cash flow to enhance the returns to the Shareholders in the long run.

The Mining Business

The Group, through Xingye Mining, owns and operates the Yanjiazhuang Mine which is an open-pit iron and gabbro-diabase mine in Hebei Province, the PRC. The Mining Permit had expired in July 2017. The Group submitted the application for the Renewal of Mining Permit in early 2017 in accordance with the applicable regulations, which has not been processed by the relevant government authority (the "Renewal Authority") in 2018. Since the Renewal application was first made in early 2017, Xingye Mining had been working closely with various PRC government authorities on the Renewal. The management of Xingye Mining has been liaising with the government officials in respect of, among others, the adjustment and narrowing down of the mining area with a view to preserving the natural reserves area in the region in the light of the PRC government's directions and ecological and environmental policies. This proposal may also reduce the outstanding gabbro-diabase resources fee payable by Xingye Mining upon the Renewal of the Mining Permit was granted.

To get prepared for the re-submission and pushing forward the Renewal application, the management of Xingye Mining has been trying to reach an agreement with the Renewal Authority on the aforesaid mining area adjustment proposal (including ascertaining the new mining boundaries of the Yanjiazhuang Mine, the revised reserve and resource estimates of the Yanjiazhuang Mine under the Renewal, the assessment of remaining outstanding resources fee payable by Xingye Mining, and the land exchange under forestry ecology planning covering the Yanjiazhuang Mine area) and had engaged an external geological team to advise on the documents required, and preparation and submission of the local reserve and resource estimates report as appropriate. When all the requisite documents are in order, Xingye Mining shall re-submit the Renewal application to the Renewal Authority for further processing.

In the past few years, the development and operation of the Group at the Yanjiazhuang Mine has been shrouded in uncertainty. The situation has become increasingly complex over the recent years due to a series of factors including, but not limited to, the demands of and the disturbance caused by the local villagers surrounding the Yanjiazhuang Mine, the tightening up of the environmental policies by the PRC Government, the requirement for upgrade of the environmental protection measures of the production facilities for highway crushed stone and railway ballast at the Yanjiazhuang Mine imposed by the local environmental protection authority, the floods and landslides in Hebei Province in late July 2016 which caused severe life and economic losses and business disruption in the region, the expiry of the Mining Permit and the production safety permits and the difficulties encountered in the applications for the renewal or grant of the requisite permits.

In view of the uncertainties about the future development of the Mining Business at the Yanjiazhuang Mine and taking into account its available financial and other resources, the Group, through Xingye Mining, had conducted an assessment of the feasibility and economic viability of various business development plans in relation to the Yanjiazhuang Mine. This strategic review had been conducted with a view to enhancing the utilisation of the Group's assets and capturing the business opportunities that are available in the Yanjiazhuang Mine area from time to time. As a result, the Group had decided to realise its entire interests in the Yanjiazhuang Mine for better deployment of the Group's financial and non-financial resources.

On 31 December 2019, the Company, as vendor, entered into the Sale and Purchase Agreement in relation to the Disposal of the Disposal Company, which indirectly owns the Group's entire interests in the Yanjiazhuang Mine, for a total consideration of HK$109 million. It is believed that the Disposal, when duly completed, will provide the Group with additional cash to support the expansion of the Resources Business and reduce the level of the Group's borrowings, which will help reducing the Group's finance costs. Further details of the Disposal have been set out in the announcement of the Company dated 31 December 2019.

Mine-Related Capital Expenditure and Infrastructure Development

As mentioned in the "Business Review" section above, the Mining Permit had expired in 2017 and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. The Group did not incur any material capital expenditure or carry out any material infrastructure development for the Mining Business during the Reporting Period.

There was no new contract and commitment entered into by the Group for the Mining Business including those related to infrastructure projects (road and railway), subcontracting agreements and purchases of equipment during the year ended 31 December 2019 (2018: Nil for the iron concentrate business at the Yanjiazhuang Mine and approximately RMB0.3 million construction costs were incurred for the gabbro-diabase and stone business at the Yanjiazhuang Mine).

Exploration Activities

During the Reporting Period, the Group did not have any exploration, development or production activity nor incur any expense or capital expenditure in any such activity at the Yanjiazhuang Mine.

Production Costs of the Yanjiazhuang Mine

The Group's production costs for the gabbro-diabase and stone business amounted to approximately RMB2.5 million was recognised in the loss of the Discontinued Operations during the Reporting Period (2018: approximately RMB3.3 million).

During the years ended 31 December 2019 and 2018, the Group's iron concentrate production had not yet resumed and therefore no production cost of iron concentrate was recorded.

Iron Ore Resource and Reserve Estimates

Details of the Group's mineral resource and ore reserve estimates at the Yanjiazhuang Mine as at 31 December 2019 under the JORC Code were summarised as below:

Summary of mineral resources*

	Percentage of ownership	**JORC Mineral Resource Category**	**As at 31.12.2019** ***(Mt)***	**Average iron grade TFe** ***(%)***	As at 31.12.2018 *(Mt)*	Average iron grade TFe *(%)*
Yanjiazhuang Mine	99%	Measured	**99.56**	**22.53**	99.56	22.53
		Indicated	**211.96**	**21.03**	211.96	21.03
		Total	**311.52**	**21.51**	311.52	21.51

Summary of ore reserves*

	Percentage of ownership	JORC Ore Reserve Category	As at 31.12.2019 *(Mt)*	Average iron grade TFe *(%)*	As at 31.12.2018 *(Mt)*	Average iron grade TFe *(%)*
Yanjiazhuang Mine	99%	Proved	**85.56**	**21.39**	85.56	21.39
		Probable	**174.21**	**19.97**	174.21	19.97
		Total	**259.77**	**20.43**	259.77	20.43

* *Please refer to the independent technical report in the Company's prospectus dated 21 June 2011 for details of the assumptions and parameters used to calculate these iron ore resource and reserve estimates and quality of iron grade.*

As mentioned in the "Business Review" section above, the Mining Permit had expired in 2017 and the Company, as vendor, entered into the Sale and Purchase Agreement for the Disposal of the entire interests in the Yanjiazhuang Mine on 31 December 2019.

Gabbro-Diabase Resource Estimates

The gabbro-diabase resources at the Yanjiazhuang Mine were estimated at approximately 207 million cubic metres and categorised as an Indicated Resource under the JORC Code as at 31 December 2019 and 2018. As mentioned in the "Business Review" section above, the Mining Permit had expired in 2017 and the remaining instalments of the resources fee payable, which amounted to approximately RMB21.5 million, in aggregate, together with the associated cost of funds, were due for settlement, but remained unpaid up to date. The management of Xingye Mining has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms under the Renewal. The Company, as vendor, entered into the Sale and Purchase Agreement for the Disposal of the entire interests in the Yanjiazhuang Mine on 31 December 2019.

Production Safety and Environmental Protection

During the Reporting Period, no significant safety-related incidents were recorded in the operations at the Yanjiazhuang Mine.

As mentioned earlier, the applications for the renewal of a production safety permit of the iron concentrate business at the Yanjiazhuang Mine and the grant of a production safety permit of the gabbro-diabase and stone business at the Yanjiazhuang Mine were not yet completed.

Moreover, Xingye Mining is attending to the follow-up works required before the environmental protection requirement could be attained.

Dividend

The Board does not recommend the payment of a dividend in respect of FY 2019 (2018: Nil).

Financial Review

Results for the Year

Note: On 31 December 2019, the Company entered into the Sale and Purchase Agreement to dispose its entire interests in the Disposal Group, which are then classified as the Group's discontinued operations (the "Discontinued Operations"). Analysis of the results and cash flows of the Discontinued Operations are presented in Note 8. The comparative results have been re-presented as if the Discontinued Operations had been discontinued at the beginning of the comparative period. For the Corresponding Prior Period, the Group completed the disposal of its car-park business, the financial information of which are also presented in Note 8.

During the Reporting Period, the Group recognised revenue from continuing operations of approximately RMB1,920.8 million (2018: approximately RMB312.4 million (restated)), increased by more than 5 times, which mainly came from the Resources Business on sales of iron ore. The net loss from continuing operations of the Group for the Reporting Period was approximately RMB22.0 million (2018: approximately RMB14.8 million (restated)), representing an increase by 49%. The loss for the year attributable to the owners of the Company amounted to approximately RMB69.7 million (2018: approximately RMB106.0 million (restated)). The basic and diluted loss per share for the year was approximately RMB1.74 cents (2018: approximately RMB2.65 cents (restated)).

The overall increase in net loss from continuing operations of the Group was mainly attributable to the impairment loss on other current financial assets of RMB11.0 million, which was partly offset by increase in operating profit from the Resources Business, represented by (i) the overall increase in the Group's revenue and gross profit by approximately RMB1,608.4 million and RMB27.9 million respectively; (ii) the expansion of the Group's business development team and utilisation of several supports and new borrowings from financial and non-financial institutions in order to support the expansion of the Resources Business during the Reporting Period, leading to the Group's selling expenses and interest expenses to increase by approximately RMB4.3 million and approximately RMB16.8 million respectively; and (iii) the general increase in administrative expenses by approximately RMB3.8 million mainly for the Group's corporate transactions, including the acquisition of contractual rights and obligations under the Restated Long Term Hematite Supply Agreement and the Disposal, during the Reporting Period.

Revenue, Gross Profit and Gross Profit Margin

The Group recognised the revenue from sales of iron ore products on a gross basis with service income from the arrangement of freight and shipment of cargoes and adjustments on fair values of trade receivables arising from the fluctuations in commodity price indexes as well as gain or loss on iron ore futures/swap contracts to manage the operational risks that may arise from the selling of iron ore be recognised separately in the Group's revenue.

During the Reporting Period, the Group recognised revenue from continuing operations of approximately RMB1,920.8 million (2018: approximately RMB312.4 million (restated)), increased by more than 5 times, which mainly came from the sales of iron ore.

The following table summarised the business volume and revenue of the Resources Business by product and country of origin:

	FY 2019			FY 2018		
	Transaction volume *MT*	**Revenue** ***RMB'million***	**Gross profit** ***RMB'million***	Transaction volume *MT*	Revenue *RMB'million* (Restated)	Gross profit *RMB'million* (Restated)
Sales of iron ore sourced from						
Koolan[1]	**1.3**	**911.4**		–	–	
Other suppliers[2]	**1.7**	**1,001.8**		0.9	310.3	
	3.0	**1,913.2**	**29.1**	0.9	310.3	1.9
Sales of coal from Inner Mongolia	**–**	**7.6**	**1.1**	–	2.1	0.4
Total	**3.0**	**1,920.8**	**30.2**	0.9	312.4	2.3

1 *The Group entered into the Assignment and Novation Agreement in May 2019 for the acquisition of the contractual rights and obligations to purchase hematite ore from the Hematite Mine which is owned by Koolan. Koolan exported high-grade hematite ore of 65% Fe grade during the Reporting Period and the Group sold approximately 1.3 Mt with the average unit selling price of about US$101 per tonne.*

2 *Other suppliers include suppliers of iron ore from several overseas mines in South Africa, Brazil and Australia. During the Reporting Period, the Group sold approximately 1.7 Mt with the average unit selling price of about US$85 per tonne (2018: approximately 0.9 Mt with the average unit selling price of about US$54 per tonne). The iron ore market prices continued to soar throughout the Reporting Period due to tight supply. As a result, the average unit selling price increased significantly. In addition, the Group's persistent effort to find new sources of supply from overseas mines have led to the increase in business volume during the Reporting Period as compared to the Corresponding Prior Period.*

Attributed to sourcing of quality iron ore supplies at competitive prices, the adjustment of pricing strategy with the adoption of hedging tools, and the increase in business volume, the Group recorded an overall increase in gross profit to approximately RMB30.2 million (2018: approximately RMB2.3 million (restated)) with improved gross profit margin of approximately 1.6% during the Reporting Period (2018: approximately 0.7% (restated)).

Cost of Sales

The Group's cost of sales from continuing operations for the Reporting Period increased by about 5 times to approximately RMB1,890.6 million, as compared to approximately RMB310.0 million (restated) for the Corresponding Prior Period. The increase in cost of sales was in line with the increase in market price and business volume of iron ore from the Resources Business. During the Reporting Period, the Group started to arrange for the freight and shipment of cargoes and these costs have then been included as part of the Group's cost of sales.

Being an international commodity, iron ore prices have been subject to market fluctuation from time to time. During the Reporting Period, the Group has adjusted its pricing strategy for iron ore products and started to adopt hedging tools such as iron ore futures and swaps to manage the operational risks (and cost of sales) that may arise from the sourcing of iron ore. With the long-term supply on hand and the substantial growth in business volume, the Group's management has also been focusing on managing the inventory level during the Reporting Period. The Group has been successful in concluding sales contracts with the customers in short time intervals when the cargoes are ready. This allows the Group to achieve a faster inventory turnover and avoid the risk of slow-moving inventories. As a result, the increase in the Group's cost of sales of the Resources Business largely follows the trends of iron ore market prices and the increase in the Group's business volume.

Selling and Distribution Costs

During the year, the Group has been expanding its business development team in order to cope with the growth of the Resources Business and incurred selling and distribution costs which mainly consisted of office rental, staff costs and travelling and business expenses for business visits to steel mills and customers in China and overseas to understand their needs and demands and explore potential businesses.

During the Reporting Period, the Group's selling and distribution costs from continuing operations were approximately RMB5.0 million, higher than that for the Corresponding Prior Period of approximately RMB0.7 million (restated) by about 6 times.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses from continuing operations were approximately RMB18.9 million, higher than that for the Corresponding Prior Period of approximately RMB15.1 million (restated) by 25%. The increase by approximately RMB3.8 million was mainly attributable to the Group's corporate transactions, including the acquisition of contractual rights and obligations under the Restated Long Term Hematite Supply Agreement and the Disposal, during the Reporting Period.

Impairment Losses on Other Current Financial Assets

In 2018, the Group entered into a coal purchase agreement (the "Coal Purchase Agreement") for the supply of coal. Pursuant to the Coal Purchase Agreement, the Group had paid the contractual deposit of RMB50 million, which was refundable in full to the Group upon the expiry of the Coal Purchase Agreement. The Coal Purchase Agreement expired on 31 December 2018 and only part of the contractual deposit of RMB28 million has been repaid to the Group up to the date of this announcement. Amid fragile global economic outlook under COVID-19, this poses a greater risk and difficulty for the outstanding amount of RMB22 million to be repaid in full. In view of the greater uncertainty, the Group has recognised an impairment provision of RMB11 million for the year ended 31 December 2019.

Finance Expense

Finance expense from continuing operations increased dramatically by about 12 times to approximately RMB17.1 million during the Reporting Period, as compared to approximately RMB1.3 million (restated) for the Corresponding Prior Period. In order to support the expansion of the Resources Business with increasing business volume, the Group has obtained several supports (guarantees) and new borrowings from financial and non-financial institutions amounting to approximately RMB310.1 million during the Reporting Period. As a result, the interest expenses on bank and other borrowings of the Group and guarantee fee increased significantly by approximately RMB16.8 million for the Reporting Period.

Discontinued operations

The Group's loss for the year from discontinued operations was approximately RMB48.2 million. Comparing with its loss of approximately RMB92.8 million (restated) in 2018, the Group's loss for the Reporting Period has significantly decreased by approximately RMB44.6 million. The decrease was mainly attributable to the decrease in impairment losses arising on the assets at the Yanjiazhuang Mine of approximately RMB39.0 million during the Reporting Period. Analysis of the results and cash flows of the discontinued operations is presented in Note 8. The comparative results have been restated as if the operations of the Disposal Group had been discontinued at the beginning of the comparative period. For the Corresponding Prior Period, the Group completed the disposal of its car-park business, the financial information of which are also presented in Note 8.

Financial Position

The significant changes in the financial position of the Group as at 31 December 2019 were mainly attributed to the reclassification of assets and liabilities of the Disposal Group as assets and liabilities held for sale at that date, which are set out in Note 8.

Property, plant and equipment

As at 31 December 2019, the property, plant and equipment of the Group had a net carrying amount of approximately RMB1.0 million (2018: approximately RMB203.5 million). The substantial decrease was mainly attributable to the recognition of impairment losses of approximately RMB14.4 million in FY 2019 (2018: approximately RMB59.1 million) and the reclassification of the property, plant and equipment of the Disposal Group with a net carrying amount of approximately RMB185.1 million to assets held for sale as at 31 December 2019. Further details about the Group's property, plant and equipment are set out in Note 11.

Other Long-term Assets

As at 31 December 2019, the other long-term assets of the Group had a net carrying amount of approximately RMB125.5 million (2018: Nil), representing the commodity supply contract with forward purchase of future outputs at discount. Details of this commodity supply contract are set out in Note 13.

Trade and Bills Receivables

The Group's trading terms with its customers generally require deposits or usance letters of credit, except for creditworthy customers to whom credits are granted. Generally, on presentation of shipping documents and the provisional invoices, the customers shall settle 95% or more of invoiced value of the cargoes within prescribed payment due dates and the remaining sales proceeds shall be settled within 30 days from the dates of the final invoices.

As at 31 December 2019, the balances of trade and bills receivables of the Group were approximately RMB292.9 million (2018: Nil) and about 95% of the balance were bills receivables (2018: Nil). The increase in balances as at 31 December 2019 was in line with the expansion of the Resources Business during FY 2019.

Other Current Financial Assets

As at 31 December 2019, the balance of other current financial assets mainly included (i) a trade deposit paid to a supplier, net of impairment provision, of RMB22.0 million (2018: RMB50.0 million) for the coal supply in the prior year; (ii) the margin deposits paid to securities houses of approximately RMB37.7 million (2018: Nil) for transactions of iron ore futures and swaps with an aim to manage the operational risks that may arise from the Resources Business; and (iii) the financial assets at fair value through profit or loss representing the net open positions of iron ore futures or swaps traded in an active market with a positive contract value of approximately RMB16.5 million (2018: Nil).

Trade and Bills Payables

As at 31 December 2019, the balances of trade and bills payables of the Group were approximately RMB255.8 million (2018: approximately RMB1.1 million) and about 72% of the balances were bills payables (2018: Nil). The increase in balances as at 31 December 2019 was in line with the expansion of the Resources Business during FY 2019.

Liquidity, Financial Resources and Financing Activities

As at 31 December 2019, the cash and cash equivalents of the Group (including those held by the Disposal Group) amounted to approximately RMB90.4 million (2018: approximately RMB98.0 million), of which 5% are denominated in RMB, 4% are denominated in HKD and 91% are denominated in USD (2018: 68% are denominated in RMB, 4% are denominated in HKD and 28% are denominated in USD), representing about 8% (2018: about 16%) of total assets of the Group.

The Group's net debt position was approximately RMB114.5 million as at 31 December 2019 while the Group has net cash position of approximately RMB98.0 million as at 31 December 2018. The increase in net debt was mainly due to the Group incurred new borrowings to finance the acquisition of contractual rights and obligations under the Restated Long Term Hematite Agreement and the increase in general working capital required for the expansion of the Resources Business. The Group's liquidity ratio was approximately 1.2 as at 31 December 2019 (2018: approximately 1.2), which is considered to be steady.

The following table sets out certain information regarding the Group's consolidated statement of cash flows for the years ended 31 December 2019 and 2018:

	FY 2019		FY 2018	
	RMB'million	***RMB'million***	*RMB'million* (Restated)	*RMB'million* (Restated)
Cash and cash equivalents as stated in the consolidated statement of cash flows at beginning of year		**98**		164
Net cash flows used in operating activities	**(147)**		(56)	
Net cash flows used in investing activities	**(134)**		(2)	
Net cash flows from/(used in) financing activities	**272**		(5)	
Net decrease in cash and cash equivalents		**(9)**		(63)
Effect of foreign exchange rate changes, net		**1**		(3)
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year		**90**		98

Net cash flows used in operating activities

The Group's net cash flows used in operating activities increased by about 162%, from approximately RMB56.2 million for the Corresponding Prior Period to approximately RMB147.0 million for the Reporting Period. It primarily included the loss before tax of approximately RMB70.0 million, partially reduced by adjustments for non-cash items relating to the impairment losses arising on the assets at the Yanjiazhuang Mine of approximately RMB21.9 million, the impairment loss on other current financial assets of RMB11.0 million, the increase in restricted bank deposits to secure the issuance of letters of credit of approximately RMB91.4 million and the net increase in working capital of inventories and trade and bills receivables and payables of approximately RMB34.1 million. The Group would also negotiate for other new trade finance facilities with the banks so as to support the further development of the Resources Business.

Net cash flows used in investing activities

During the Reporting Period, the Group paid HK$150 million (equivalent to approximately RMB131.6 million) as a consideration to acquire the contractual rights and obligations to purchase hematite ore from the Hematite Mine. As a result, the Group recorded a net cash flows used in investing activities during FY 2019.

Net cash flows from/(used in) financing activities

During the Reporting Period, the Group's net cash flows from financing activities increased by approximately RMB277.2 million, as compared to the Corresponding Prior Period, which is mainly attributed to the Group's new borrowings from financial and non-financial institutions amounting to approximately RMB310.1 million in order to support the expansion of the Resources Business with increasing business volume.

Capital Structure and Gearing Ratio

As at 31 December 2019, the Group's interest-bearing bank and other borrowings was approximately RMB521.2 million (2018: approximately RMB219.1 million). During the Reporting Period, in order to support the expansion of the Resources Business with increasing business volume, the Group has obtained several new borrowings from financial and non-financial institutions amounting to approximately RMB310.1 million. As a result, the Group's net gearing ratio was approximately 54% as at 31 December 2019. As at 31 December 2018, as the Group had net cash position of approximately RMB98.0 million, it is therefore not considered to have any net gearing.

Going forward, the Group's management and business development team will focus on managing the banking facilities and other re-financing options so as to minimise the cash requirements for the Resources Business.

Funding and Treasury Policy

The Group has a funding and treasury policy to monitor its funding requirements and perform ongoing liquidity review. This approach takes into consideration the maturity of its financial instruments, financial assets, projected cash flows from operations and the general working capital requirements of the Group. The Group's objective is to maintain a balance between continuity of funding and flexibility through the effective use of bank and other borrowings and trade finance and treasury facilities.

In order to finance the acquisition of the contractual rights and obligations under the Restated Long Term Hematite Supply Agreement and support the expansion of the Resources Business, the Group has obtained several supports and new borrowings from financial and non-financial institutions during the Reporting Period. Further discussions on and details of the Group's interest-bearing bank and other borrowings are set out below.

Loans, Indebtedness, Maturity Profile and Exposure to Fluctuations in Interest Rates

As at 31 December 2019, the Group's interest-bearing bank and other borrowings increased by approximately RMB302.1 million to approximately RMB521.2 million (2018: approximately RMB219.1 million). Among these borrowings, about 90% were denominated in HKD while about 10% were denominated in USD, and about 54% carried interests at fixed rates while about 46% carried interests at floating rates. In view of loan profile in terms of currencies and interest rate mix, the Group is not considered to have significant exposure to interest rate fluctuations as at 31 December 2019 and does not have any policy to hedge such exposure.

These borrowings are mostly repayable within one year or on demand, except for the balance of approximately RMB70.9 million which are repayable in the second year and the balance of approximately RMB0.7 million which are repayable in the third to fifth years.

Pledge of Assets

The Group's interest-bearing bank and other borrowings and banking facilities as at 31 December 2019 were secured by certain bank balances and time deposits of approximately RMB316.3 million, in aggregate (2018: approximately RMB219.1 million).

As at 31 December 2019 and 31 December 2018, no property, plant and equipment or leasehold land or land use rights or right-of-use assets were pledged for the Group's bank borrowings or banking facilities.

Exposure to Fluctuations in Exchange Rates

The Group's functional currency is RMB as the assets and operations at the Yanjiazhuang Mine are primarily located in the PRC with transactions settled in RMB while transactions in the Group's Resources Business were mainly settled in USD.

During the Reporting Period, the Group had transactional currency exposures. Such exposures arose from the sales and purchases of products and other transactions of operating units in currencies other than the Group's functional currencies. Approximately 99% of the Group's sales and approximately 99% of the Group's purchases during the Reporting Period, and approximately 48% of the Group's net assets as at 31 December 2019 (2018: approximately 10%) were denominated in foreign currency (the HKD and USD). Currently, the Group does not have any foreign currency hedging policy. The fluctuation of USD and HKD against RMB during the Reporting Period led to the recognition of net foreign exchange losses of approximately RMB1.6 million (2018: approximately RMB2.6 million (restated)) from continuing operations.

Amid the fragile global economic outlook under COVID-19 and the trade friction between the United States of America and China, it could be expected that the currency exchange rates between RMB and other currencies will be subject to fluctuations to a greater extent in the future. The management will closely observe the movements in RMB exchange rates and consider any rearrangement of its sources of financing and deposit portfolio where appropriate.

Exposure to Fluctuations in Commodity Prices

During the Reporting Period, in view of the prevailing market conditions, the Group adjusted its pricing strategy for iron ore products and started to adopt hedging tools such as iron ore futures and swaps to manage the operational risks that may arise from the Resources Business. The Group's designated hedging executives has managed the Group's exposure over iron ore price fluctuation by execution of approved hedge strategy and hedging instruments.

For the Reporting Period, the Group recognised net fair value losses of approximately RMB0.6 million (2018: Nil) and net fair value gains of approximately RMB8.8 million (2018: Nil) from hedging transactions, which had been recognised in the Group's revenue and cost of sales respectively.

As at 31 December 2019, the Group had an aggregate open position of iron ore futures for purchase of 505,000 tonnes expiring in the first quarter of 2020 with a positive contract value of approximately US$2.4 million (equivalent to approximately RMB16.5 million) (2018: Nil) which has been recognised as the financial assets at fair value through profit or loss.

Segment Information

As discussed earlier, the business of the Group has successfully evolved into the Resources Business during the Reporting Period. As such, the internal organisation structure and reporting has been changed and such discontinued operations attributable to the iron concentrate business and gabbro-diabase and stone business are no longer separately assessed or reviewed. The information reviewed by the chief operating decision makers as at the end of the Reporting Period only focuses on the performance of the Group's continuing operations, the Resources Business. Comparative figures have been restated to reflect the classification of iron concentrate business and gabbro-diabase and stone business as discontinued operations during the Reporting Period.

An analysis of the Group's revenue from the external customers by geographical segment is as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Mainland China	**1,896,518**	312,392
Others	**24,282**	–
	1,920,800	312,392

Revenue from external customers by geographical location is based on the ports of discharge.

Furthermore, the Group's non-current assets from continuing operations are mainly based in Hong Kong.

Further details of the Group's segment information and segment results are set out in Note 3, and further discussions on business performance and market overview of each business segment of the Group are set out in the sections headed "Business Review" above.

Capital Commitments

The Group had the following capital commitments attributed to the Discontinued Operations at the end of the reporting periods:

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
– Property, plant and equipment	**38,595**	38,595

Significant Investments, Acquisitions and Disposals

There were no significant investments, acquisitions and disposals by the Group during the year, except for the acquisition of the contractual rights and obligations to purchase hematite ore from the Hematite Mine and the Disposal as discussed in the "Business Review" above. For details of these transactions, please refer to the Company's circular dated 8 July 2019 and announcement dated 31 December 2019 respectively.

The Group entered into certain memoranda of understanding in prior years in connection with the exclusivity period of the potential investments in two mining and resources projects. These memoranda had expired and the exclusivity period had ended on 30 June 2019.

The Group will continue to explore and evaluate projects and investment opportunities with potentials so as to create value for the Shareholders in the long run.

Events after the Reporting Period

The estimates of expected credit loss at 31 December 2019 was made based on a range of forecasted economic conditions prevailing or anticipated as at that date. Since January 2020, COVID-19 has spread across Mainland China and beyond, causing disruption to business and economic activities. The Group considers COVID-19 to be a non-adjusting post balance sheet event and the impact on economic and other key indicators will be incorporated into the Group's estimates of expected credit loss provisions in 2020.

In addition, COVID-19 has inevitably caused negative impacts on the global markets and economy, mainly due to delayed work resumption in China, restrictions and bans on passenger traffic to control the spread of COVID-19, more stringent mandatory quarantine requirements on vessels imposed by ports, leading to a certain extent of negative impact to the Group's operations and business profitability in 2020.

The degree of impact to the Group will be dependent on, among others, the duration of COVID-19, the outcome of various preventive measures to contain COVID-19 by respective governments across the world, and the policies and measures to support or stimulate the economy. The Group shall keep abreast of the development of COVID-19 and evaluate the situation and impacts on the Group's business development and expansion, operating and financial performance in a timely manner.

Employees and Remuneration Policies

As at 31 December 2019, the Group had a total of 75 (2018: 79) employees in Hong Kong and Mainland China. In order to support the growth in business volume and scale of the Resources Business, the Group has been expanding its business development team during the Reporting Period, which now comprised of an experienced market and industry leader, operation and finance staff members, shipping specialists and designated hedging executives.

The Group formulates its human resources allocation and recruitment plans based on its development strategies. The remuneration packages of the employees are structured by reference to job nature (including geographical locations) and prevailing market conditions. The remuneration policy of the Group is subject to periodic review, and year-end bonuses and share options are available to reward employees in line with their individual performances and industry practice. In addition, the Group encourages its employees to receive training that is suitable for their job nature and caters to the needs of obtaining certain professional qualifications, such as seminars and training for different professional knowledge. Appropriate training programmes and/or seminar subsidies are also offered to ensure continuous staff training and development.

The emoluments of the Directors, comprising Director's fee, salary package, discretionary bonus and share options, are reviewed and determined by the Board based on the recommendations from the Remuneration Committee with reference to the Company's performance, his duties and responsibilities with the Company, and the prevailing market conditions. The Director's remuneration will be subject to annual review by the Remuneration Committee and the Board with the authorisation granted by the Shareholders at the AGM.

The human resources department of the Group is responsible for the collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the chairman of the Board about these recommendations on remuneration policy and structure and remuneration packages. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Group has followed the measures and directives issued by the government authorities at the cities with operations and deployed appropriate preventive measures to protect the employees and provide them with healthy and hygienic working environments within the offices and premises.

Outlook and Future Plans

Looking ahead, the Group will continue to identify and explore new supplies of iron ore and other commodities and evaluate and secure possible long-term business and offtake relationships with suppliers so as to expand and further diversify the Group's product offerings. On the other hand, the Group's management will also focus on managing the inventory level, securing more favourable banking facilities and other re-financing options so as to reduce the cash requirements for the Resources Business and support the continual business expansion.

Nevertheless, the Group is aware of COVID-19 and the increasing numbers of confirmed cases and fatalities in China and worldwide. The COVID-19 has inevitably caused negative impacts on the global markets and economy, mainly attributed to the delayed work resumption in China, restrictions and bans on passenger traffic to control the spread of COVID-19, more stringent mandatory quarantine requirements on vessels imposed by ports, leading to a certain extent of negative impact to the Group's operations and business profitability in 2020.

The degree of impact to the Group will be dependent on, among others, the duration of the COVID-19, the outcome of various preventive measures to contain COVID-19 by respective governments across the world, and the policies and measures to support or stimulate the economy. The Group shall keep abreast of the development of COVID-19 and evaluate the situation and impacts on the Group's business development and expansion, operating and financial performance in a timely manner.

CORPORATE GOVERNANCE PRACTICES

The Board strongly believes that corporate governance is an integral part of the Company's mission in our pursuit of growth and value creation. The Board strives to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the interest of the Shareholders. During FY 2019, we adopted corporate governance principles that emphasise a quality Board, effective risk management and internal control systems, stringent disclosure practices, transparency and complete accountability towards all the stakeholders of the Company.

As part of the Company's unwavering commitment to high standards of corporate governance, it has adopted all applicable Code Provisions and, where appropriate, Recommended Best Practices of the CG Code as set out in the Appendix 14 to the Listing Rules throughout the Reporting Period. So far as known to the Directors, there has been no material deviation from the CG Code during the Reporting Period.

The Company continues to enhance its corporate governance practices appropriate to the conduct and growth of its business, and to review and improve such practices from time to time to ensure that business activities and decision making processes are regulated in a proper and prudent manner in accordance with international best practices.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Specific enquiry has been made of all the Directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout FY 2019.

The Company has also established written guidelines (the "Code for Securities Transactions by Relevant Employees") on no less exacting terms than the Model Code for securities transactions by employees of the Group who are likely to be in possession of unpublished inside information in relation to the securities of the Company. Each of the relevant employees has been given a copy of the Code for Securities Transactions by Relevant Employees.

The Company was not aware of any incident of non-compliance with the Model Code or the Code for Securities Transactions by Relevant Employees throughout FY 2019.

Formal notifications were sent by the Company to its Directors and relevant employees reminding them that they should not deal in the securities of the Company during the "black-out period" in accordance with requirements under the Model Code.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Audit Committee currently comprises three members, including Mr. Tsui King Fai (Chairman of the Committee), who possesses the appropriate professional qualification or accounting or related financial management expertise in accordance with the requirements under the Listing Rules, Mr. Lee Kwan Hung, Eddie and Mr. Shin Yick, Fabian, all being independent non-executive Directors. None of the members of the Audit Committee is a former partner of the Company's existing external auditor. The specific written terms of reference of the Audit Committee are available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process, risk management and internal control systems. The Audit Committee has, in conjunction with the management, reviewed the accounting principles and practices adopted by the Group and discussed risk management and internal control systems and financial reporting matters including a review of the annual results and the audited consolidated financial statements of the Group for FY 2019 and the independent auditor's report thereon.

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

During FY 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 9 June 2020 to Friday, 12 June 2020 (both days inclusive), during which no transfer of the Shares will be registered. In order to be eligible to attend and vote at the 2020 AGM, all transfer of the Shares accompanied by the relevant properly completed transfer forms and 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 8 June 2020.

ANNUAL GENERAL MEETING

The 2020 AGM of the Company is scheduled to be held on Friday, 12 June 2020. A notice convening the 2020 AGM will be issued and disseminated to the Shareholders in due course.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and the related notes thereto for the year then ended, as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited and the Company. The annual report 2019 will be despatched to the Shareholders and published on the above websites in due course.

GLOSSARY OF TERMS

In this announcement, unless the context otherwise requires, the following expressions have the meanings as mentioned below:

"Ace Profit"	Ace Profit Investment Limited（向利投資有限公司）, a limited liability company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company with its principal activities being the supply and trading of iron ore
"AGM"	an annual general meeting of the Company
"Assignment and Novation Agreement"	the agreement for assignment and novation of the Long Term Hematite Supply Agreement entered into between Shougang Concord International and the Company on 31 May 2019, pursuant to which Shougang Concord International shall assign and novate, and shall procure SCIT to assign and novate their respective rights and obligations under the Long Term Hematite Supply Agreement to the Company and Ace Profit respectively
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company"	Newton Resources Ltd, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Group’s entire interests in the Disposal Group
“Disposal Company”	Venca Investments Limited（永佳投資有限公司）, a limited liability company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company
“Disposal Group”	the Disposal Company and its subsidiaries, including, amongst others, Xingye Mining
“FY 2018” or “Corresponding Prior Period”	the financial year ended 31 December 2018
“FY 2019” or “Reporting Period”	the financial year ended 31 December 2019
“Group”	the Company and its subsidiaries collectively
“Hematite Mine”	the hematite mine situated at Koolan Island, Western Australia
“HK$” or “HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“JORC”	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the JORC, as amended from time to time
“Koolan”	Koolan Iron Ore Pty Limited, a company incorporated in Australia, the registered holder of the Hematite Mine and an indirect wholly owned subsidiary of MGI
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

"Long Term Hematite Supply Agreement"	the Koolan Island long term ore sale agreement entered into by MGI, Koolan, Shougang Concord International and SCIT in relation to the supply of hematite ore by Koolan to SCIT from time to time, which was first executed on 22 November 2008 and has subsequently been novated, amended, supplemented and restated from time to time; pursuant to which, Koolan shall supply and sell and SCIT shall purchase hematite ore to be sourced from the Hematite Mine in such annual quantity as equals 80% of Koolan's total available production during each contract year at the agreed market pricing formulae during the period from 1 July 2009 to the date of permanent cessation of Koolan's mining operations at the Hematite Mine
"MGI"	Mount Gibson Iron Limited, a company incorporated in Australia, the shares of which are listed on the Australian Securities Exchange
"MGI Group"	MGI and its subsidiaries from time to time
"Mining Permit"	the mining permit of Xingye Mining in respect of iron ore and gabbro-diabase at the Yanjiazhuang Mine
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Mt"	megatonne(s)/million tonnes
"Novation Deed"	the deed of novation, amendment and restatement to effectuate the assignment and novation by Shougang Concord International and SCIT of their respective rights and obligations under the Long Term Hematite Supply Agreement to the Company and Ace Profit respectively under the Assignment and Novation Agreement, as well as the amendment and restatement of the Long Term Hematite Supply Agreement entered into among all the parties to the Long Term Hematite Supply Agreement (namely MGI, Koolan, Shougang Concord International and SCIT), the Company and Ace Profit on the date of the Assignment and Novation Agreement
"PRC" or "Mainland China" or "China"	the People's Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Remuneration Committee"	the remuneration committee of the Company
"Renewal"	the renewal of the Mining Permit
"Restated Long Term Hematite Supply Agreement"	the Long Term Hematite Supply Agreement as amended and restated in accordance with the Novation Deed
"RMB"	Renminbi, the lawful currency of the PRC

"Sale and Purchase Agreement"	the conditional sale and purchase and assignment agreement dated 31 December 2019 entered into between the Company and the purchaser in respect of the Disposal
"SCIT"	SCIT Trading Limited, a company incorporated in Hong Kong, an indirect wholly-owned subsidiary of Shougang Concord International and a connected person of the Company under the Listing Rules
"Share(s)"	existing ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Shougang Concord International"	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"tonne(s)"	equal to 1,000 kilograms
"US$" or "USD"	the United States dollar, the lawful currency of the United States of America
"Xingye Mining"	Lincheng Xingye Mineral Resources Co., Ltd（臨城興業礦產資源有限公司）, an indirect non-wholly owned subsidiary of the Company
"Yanjiazhuang Mine"	Lincheng Xingye Mineral Resources Co., Ltd Yanjiazhuang Mine（臨城興業礦產資源有限公司閆家莊礦）, an open-pit iron and gabbro-diabase mine located in Yanjiazhuang Mining Area, Shiwopu, Haozhuang Town, Lincheng County, Hebei Province, the PRC

By Order of the Board
Newton Resources Ltd
Chong Tin Lung, Benny
Chairman and Executive Director

Hong Kong, 26 March 2020

As at the date of this announcement, the executive Directors are Mr. Chong Tin Lung, Benny and Mr. Luk Yue Kan; and the independent non-executive Directors are Mr. Tsui King Fai, Mr. Lee Kwan Hung, Eddie and Mr. Shin Yick, Fabian.