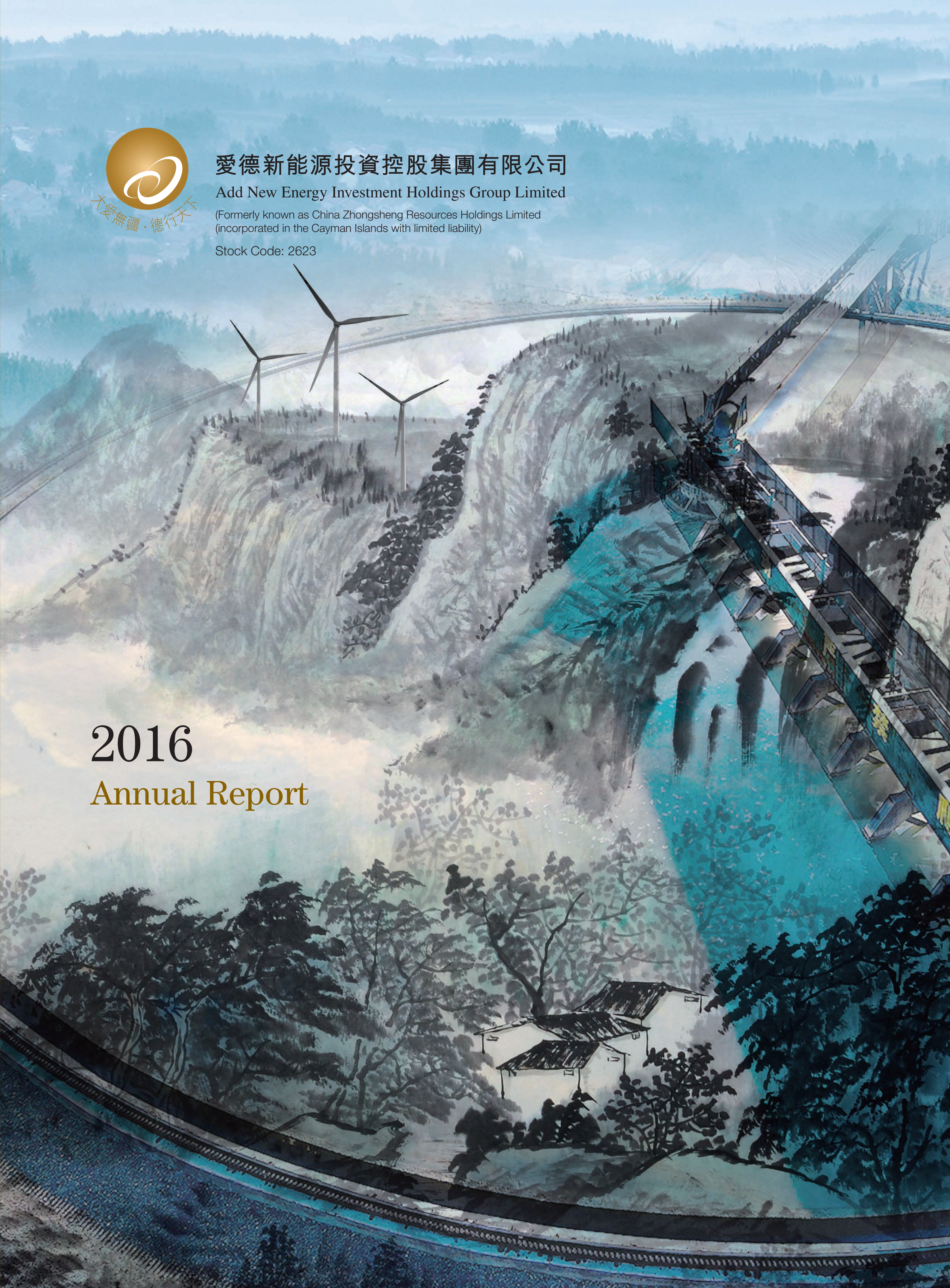


愛德新能源投資控股集團有限公司

Add New Energy Investment Holdings Group Limited

(Formerly known as China Zhongsheng Resources Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Stock Code: 2623

2016

Annual Report

ADD NEW ENERGY INVESTMENT HOLDINGS GROUP LIMITED
ANNUAL REPORT 2016

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Li Yunde *(Chairman)*
Geng Guohua *(Chief Executive Officer)*
Lang Weiguo

Non-executive Director

Chau Ching

Independent Non-executive Directors

Li Xiaoyang
Lin Chu Chang
Zhang Jingsheng

COMPANY SECRETARY

Chan Yuen Ying, Stella

AUTHORISED REPRESENTATIVES

Geng Guohua
Chan Yuen Ying, Stella

AUDIT COMMITTEE

Lin Chu Chang *(Committee Chairman)*
Li Xiaoyang
Zhang Jingsheng

REMUNERATION COMMITTEE

Lin Chu Chang *(Committee Chairman)*
Li Yunde
Zhang Jingsheng

NOMINATION COMMITTEE

Li Yunde *(Committee Chairman)*
Li Xiaoyang
Zhang Jingsheng

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

As to Cayman Islands law:
Appleby

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTERS IN THE PRC

Qin Jia Zhuang
Yangzhuang Town
Yishui County
Shandong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3105, 31/F
Tower 6, The Gateway
Harbour City, 9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited, Yishui Branch
China Construction Bank Corporation,Yishui Branch
Bank of China Limited, Yishui Branch
Industrial and Commercial Bank of China Limited, Yishui Branch
Rural Commercial Bank of Shandong Yishui
Linshang Bank, Yishui Branch
Shanghai Pudong Development Bank Co., Ltd., Yishui Branch
Ping An Bank Co., Ltd., Linyi Branch
Industrial Bank Co., Ltd., Linyi Branch

STOCK CODE

2623

COMPANY WEBSITE

http://www.addnewenergy.com.hk

Dear Shareholders,

I am pleased to present to our shareholders the annual results for the year ended 31 December 2016 on behalf of Add New Energy Investment Holdings Group Limited (the "Company") and its subsidiaries (collectively, the "Group").

BUSINESS REVIEW

The total comprehensive loss attributable to owners of the Company was approximately RMB116.9 million for the year ended 31 December 2016, representing a decrease of approximately RMB144.5 million or approximately 55.3% as compared with total comprehensive loss attributable to owners of the Company of approximately RMB261.4 million for the year ended 31 December 2015.

Affected by the slowing down of domestic economic growth and the general overcapacity, the steel market has been remaining sluggish in recent years. In response to the global iron concentrate market conditions, the Group principally implemented the following measures:

I. In response to the current global economic downturn, the Group conducted research on its key businesses and sorted them accordingly and made some adjustment to its strategies with preliminary results achieved.

(I) Sticking to the development of titanium business, and adjusting iron concentrates production in a timely manner.

The Group continued to make great efforts in planning and implementation of a comprehensive industrial chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Based on internal research and development of production, the Group made certain progresses in the research and development cooperation with Chinese Academy of Sciences and the technology transfer cooperation with the Russian Academy of Sciences. The Group also conducted three due diligence activities and project selection activities in regard to potential mergers and acquisitions of enterprises in the whole titanium business or other ways of cooperation, and preliminarily established a practicable planning by which the Group has been seeking for good investment opportunities.

As for the iron concentrate business, the Group adjusted and implemented its production plan in due course based on market changes and needs, and protected the interest of its shareholders and investors.

(II) Expanding into clean energy business with preliminary results achieved.

The Group also conducted a feasibility study in respect of the policy from the central government that qualified private enterprises are encouraged to engage in the wind energy and photovoltaic electricity business. Where possible, the Company would leverage the resources of large state-owned enterprises and professional listed groups to obtain the planning permit and grid access to the state grid and to expand into the new clean energy business. In September 2016, Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine"), a wholly-owned subsidiary of the Group, completed the acquisition of Yishui Shengrong New Energy Limited (沂水盛榮新能源有限公司) ("Yishui Shengrong"). Yishui Shengrong owns a 49,900-kilowatt wind power project located in Eshan, Yangzhuang Township, Yishui County, Linyi City, Shandong, which won a place in the 2016 Project Arrangement for Wind Power Development and Construction in Shandong (山東省2016年風電開發建設項目安排情況) issued by Shandong Development and Reform Commission on 17 May 2016. The acquisition actively helped the Group to tap into the wind power business, and will broaden the revenue stream and bring return to shareholders.

On 30 September 2016, Shandong Ishine entered into a legally binding district exclusive strategic cooperation agreement with State Power Investment Corporation Shandong Energy Development Company Limited (國家電投集團山東能源發展有限公司) ("Shandong Energy"), pursuant to which Shandong Ishine and Shandong Energy shall carry out comprehensive cooperation in onshore wind power, energy facilities in integrative park, distributed energy and solar thermal comprehensive energy engineering application by way of cooperative development, construction and operation. The entering into of the agreement to strategically cooperate with Shandong Energy is the first project after acquisition of Yishui Shengrong, to further implement the Group's strategic decision on industrial transformation of wind power, photovoltaic power plants and solar thermal power generation and heating projects.

(III) Expanding into water pollution treatment business.

In second half of 2015, the Ministry of Environmental Protection of the Peoples' Republic of China (the "PRC") published the "Water Pollution Treatment Action Plan" which indicated that water pollution treatment shall not be taken lightly. The implementation of "Water Pollution Treatment Action Plan" brought great opportunities for the market of water pollution treatment. The Group's application of technology of draining residual ores achieved "zero emission" of industrial waste water, making it the first domestic mining company to get rid of tailing dam and achieve the recycle of industrial waste water. The implementation of water recycle projects effectively reduced water consumption. With such achievement, Shandong Ishine was granted a patent certificate for draining tailing system by the State Intellectual Property Office in 2012 and was recognised as the "Highlighted and Demonstrative Project of Draining Tailing in Shandong Province" by the Land and Resources Department of Shandong Province. The Group planned to improve the technology and solutions for treatment of complex water quality based on its existing patent and technology as well as past successful experience and by further introducing new microbial technology. In addition, the Group also developed the above said patent and the most advanced water treatment technology into external business and was able to contract projects for the water treatment of river channels in the PRC and other possible water treatment projects.

(IV) Expanding soil pollution treatment business using microbial technology with preliminary results achieved.

In order to solve soil pollution problems, the Ministry of Environmental Protection of the PRC has drafted the "Soil Pollution Treatment Action Plan" which shall be implemented after the completion of reporting and approval procedures. Soil pollution treatment has always been taken seriously by the society and, together with the treatment of air pollution and water pollution, constitutes three environmental treatment action plans in the PRC. The Group planned to use the latest microbial technology to extract and synthesise the trace amount of titanium contained in the residual ores in Shandong Ishine together with the humic acid contained in the coal residual ores into microbial fertiliser, which contributes to solving the problems of soil compaction, pesticide and fertilizer residue and heavy metals contamination. In the second half of 2016, the Company mastered the technique of efficient and high quality microbial fertilizer.

II. Changing the company name from China Zhongsheng Resources Holdings Limited to Add New Energy Investment Holdings Group Limited.

Great love knows no boundary, noble virtue conquers all fences. The change of company name reflects the main direction of business development, which is developing new clean energy improving the entire living environment of human beings, as well as improving water and soil resources through cutting-edge technology and deepening the expansion of basic resources closely related to human destiny such as iron and titanium, all aiming to thoroughly remedy the deficiency of the excessive reliance on resources and the single products structure of the Company so as to improve the Company's risk resistance. The change of name brought an innovation of concept and the implementation of development strategy, which will certainly promote development of all business segments of the Company.

III. Further strengthening the management of trade receivables, facilitating payment collection and risk prevention.

In 2016, the business department accepted advance payments for selling so as to prevent further bad debts. In order to strengthen the management on trade receivables, the salesmen would push the collection of the invoiced payment amount once the business department dispatched the goods, especially for the overdue trade receivables. Particulars such as the client's name, transaction amount, reason for non-payment should be reported to the responsible manager and financial department during payment collection so as to take measures accordingly. The financial department arranged part-time controllers for trade receivables, who should be responsible for payment collection and account statement reconciliation. The controllers should be committed to the trade receivables management, closely monitor the collection progress of and changes in trade receivables and complete ageing analysis. Extra attention should be paid to overdue trade receivables. Specific analysis should be conducted on specific clients on their recent operation and working capital status so as to adjust their credit ratings in a timely manner and then report to the business department for handling and collection under respective deadlines.

As at 31 December 2016, trade receivables decreased by approximately RMB56.2 million as compared to the beginning of the year.

IV. Actively seeking for official support such as advance construction funds from government.

The Group actively sought support from government based on the relevant national policy. In 2016, the Group received advance construction funds and government grants from the government amounting to approximately RMB10.4 million.

V. Downsizing and pay cuts to reduce operating cost.

In view of continued downturn of global resources and commodity markets and due to our over-reliance on resources and undiversified products, the performance of the Company was poor. In order to get rid of the downturn in a short period of time, the Company took initiatives to reduce its operating costs. By reducing the total number of staff through layoffs and general pay cuts, the Company reduced the pressure on personnel expense in order to alleviate its economic pressure to overcome the difficulties in operation. Aiming to improve the allocation between the staff and positions, the Company selected the superior and eliminated the inferior to create positions available for excellent talents so as to improve the quality of human resources. As of 31 December 2016, the number of staff decreased by 47 as compared to the end of last year, saving cost of human resources of approximately RMB6.0 million.

VI. Taking initiatives to reduce non-production expenses and management cost.

Facing the current economic condition, the Company adhered to the principle of austerity at all levels. By further enhancing a series of management rules for savings and consumption reduction, the Company further reduced the operating cost and also plugged the management loopholes and eliminated redundant expenses. In 2016, by taking further measures on controlling travelling, vehicles, office and entertainment expenses, expenses decreased by approximately RMB2.1 million.

VII. Adhering to the management philosophy of "people-oriented", improving education and training, maintaining stable workforce as well as protecting, motivating and utilising the enthusiasm and creativity of the staff.

In order to establish harmonious labour relations and safeguard the legitimate rights of workers, all staff enjoyed equality in career development opportunities under diversified job allocation and management. In response to the ever-changing needs of external market and internal management, the Company rationalised its staff allocation according to different gender, age and experience with respect to job requirements. The Company maintained a certain percentage of core staff so as to devote its limited human resources into its core business and management for growth in business volume, corporate transformation and project requirements. The Company also strengthened its education and training to set up an excellent learning team and established a sound personnel mechanism and a platform for fair competition so as to give full scope to the talents.

2017 DEVELOPMENT AND FUTURE PLANS

By closely following market changes, the Group will stick to the development of titanium business, adjust titanium and iron concentrates production in a timely manner and further expand new energy business so as to protect the interests of shareholders and investors.

I. Continuing sparing no efforts to develop titanium business

The Group will continue to make great efforts in planning and implementation of a comprehensive industrial chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Apart from the above-mentioned internal research and development of production, the Group will continue to enhance the research and development cooperation with Chinese Academy of Sciences and the technology transfer cooperation with the Russian Academy of Sciences, make timely investment in response to market demands and strive to transform above-mentioned technical advantage into productivity, with an aim to improve the profitability of the Company.

II. Further expanding into new business relating to clean energy

Riding on the breakthrough made in respect of new energy projects in 2016, the Group will integrate external resource to deepen cooperation and achieve results in respect of the development of renewable resources, such as wind power, solar energy and solar thermal power so as to seek for a breakthrough in profit increase.

III. Advancing soil pollution treatment business by way of promptly putting microbial technology into practical use

In order to solve soil pollution problems, the Ministry of Environmental Protection of the PRC has drafted and implemented the "Soil Pollution Treatment Action Plan". By transforming and making use of the technique of efficient and high quality microbial fertilizer mastered by it, the Company will endeavor to made investment or carry out cooperation in a timely manner on production of efficient and organic microbial fertilizer pursuant to market demands so as to participate in solving the problems of soil compaction, pesticide and fertilizer residue and heavy metals contamination currently facing by China, capitalizing on which the Company will be able to increase new profit and improve profitability.

IV. Titanium concentrates and iron concentrates production and operation

1. Yangzhuang Iron Mine

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

The Group will decide whether to mine and process its own mines based on the market conditions. It will analyse operating risks and judge the timing for trading, and based on profitability to decide on whether to process with part of coarse powders purchased from other suppliers.

2. **Zhuge Shangyu Ilmenite Mine**

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

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

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

3. **Qinjiazhuang Ilmenite Mine**

In 2017, the Group will determine whether it will make investment in or conduct production activities at Qinjiazhuang Ilmenite based on market changes.

4. **Luxing Titanium**

Luxing Titanium currently possesses a mining permit with an annual mining production scale of 1.5 Mt.

The Group has set its basic business objectives as protecting resources against resource sell-off and for the interest of shareholders based on the market conditions in 2017. The Group will decide to mine and process its own mines based on profitability.

V. Business relating to capital markets and others

Capitalising on the platform of re-financing, the Company will continue to expand shareholder base, thus enhancing the liquidity of its shares. Potential construction projects, merger and acquisition projects, or extension of the titanium industry chain may be financed.

VI. Maintenance of green mines

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

In 2017, by closely following market changes, the Group will stick to the development of titanium business, adjust titanium and iron concentrates production in a timely manner and further expand new energy business and promote the transforming and making use of the technique of efficient and high quality microbial fertilizer. The Group will make targeted adjustment to its working plan, strive to maintain green mines and actively seek for new sources of economic growth, with a view to reward the investors with better results.

Last but not least, I express sincere gratitude to all the members of the Board for their valuable opinions. I would also like to express my gratitude to the management and all the staff for their dedication and commitment to the Company amidst the challenging environment.

Li Yunde
Chairman

Hong Kong, 30 March 2017

Add New Energy Investment Holdings Group Limited

Environmental, Social and Governance Report

2016

Colorful mine (Yangzhuang Iron Mine)

APPROACH TO SUSTAINABILITY

About this report: We are proud to present our Environmental, Social and Governance (ESG) report to all our stakeholders. This report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Our sustainability approach emphasizes on workplace health and safety, environmental protection, and creating a harmonious relationship in our host community. We are determined to build and protect a sustainable green mine that can inspire the mining industry.

Reporting scope: Our report covers the sustainability performance of our Yangzhuang Iron Mine in Shandong Province, PRC from 1 January 2016 to 31 December 2016, unless otherwise stated. We have outsourced exploration, blasting and mining works of Yangzhuang Iron Mine to contractors; hence these activities are not included in our reporting scope. Other three mines owned by the Group, namely Zhuge Shangyu Ilmenite Mine, Qinjiazhuang Ilmenite and Luxing Titanium are not included in the reporting boundary of this report as well.

Material Themes

About Our Business
1. Business Perspectives
2. Social and Environmental Expenditures
3. Environmental and Safety Licenses

Internal and External Governance
1. Ethics and Conduct
2. Responsibility to Our Product
3. Supply Chain Management

Relationship with People
1. Safety and Health
2. Employment Relations
3. Community Engagement
4. Training and Development

Relationship with the Environment
1. Water Resources Management
2. Energy and Mineral Resources
3. Biodiversity and Land Use

Materiality: In order to identify the material themes to be disclosed in this report, we conducted stakeholder engagements. These engagements aim to understand our stakeholders' concerns, prioritize the material topics, and decide the material themes. We conducted survey and workshop during this process, especially by engaging with our employees and department heads. Four material themes with prioritized topics are confirmed as follow: About Our Business, Internal and External Governance, Relationship with People and Relationship with the Environment.

We plan to engage more of our external stakeholders in further materiality analysis processes, including investors, customers, suppliers, communities, government, institutions, media and society. We will also strengthen our stakeholder engagement measures to include online survey and site visits.

For more information about our social and environmental responsibility, please refer to the Group's official website: www.addnewenergy.com.hk.

APPROACH TO SUSTAINABILITY

Our Stakeholder Engagements

We value constructive opinions from both our internal and external stakeholders and shareholders. We strive to improve our engagement measures with our investors, customers, suppliers, employees and communities, etc. to learn more about their opinions on our business. The integration of stakeholders' opinions will help us in formulating a sustainable business. During this reporting year, we engaged our stakeholders on an ongoing basis via different kinds of channels.

Stakeholders	Specific Stakeholder Groups	Engagement Methods
Investors	Shareholders	Online media and road shows
Customers	Steel Manufacturers	Service hotline Online media
Suppliers	Facility suppliers Contractors	Supplier questionnaire Site visits to suppliers
Employees	Frontline workers Administrative staffs Senior managers Directors	Routine general meeting Satisfaction survey HR interview Department director interview
Communities	Neighboring counties	Community activities
Research Institutions	Academic institutions Industry associations	Cooperation in study Investment in research
Government and Other Publics	Local governments	Online media

Environment, Social and Governance Workshop (Yangzhuang Iron Mine)

Environmental, Social and Governance Report 2016

HIGHLIGHTS OF 2016

ZERO
Work-related fatality

ZERO
Lost day due to occupational injury

ZERO
Operation sewage discharge

100% water consumption in mining process came from recycled water

100%
Greening of afforestation area

400*
Job positions offered to neighboring community

CO_2

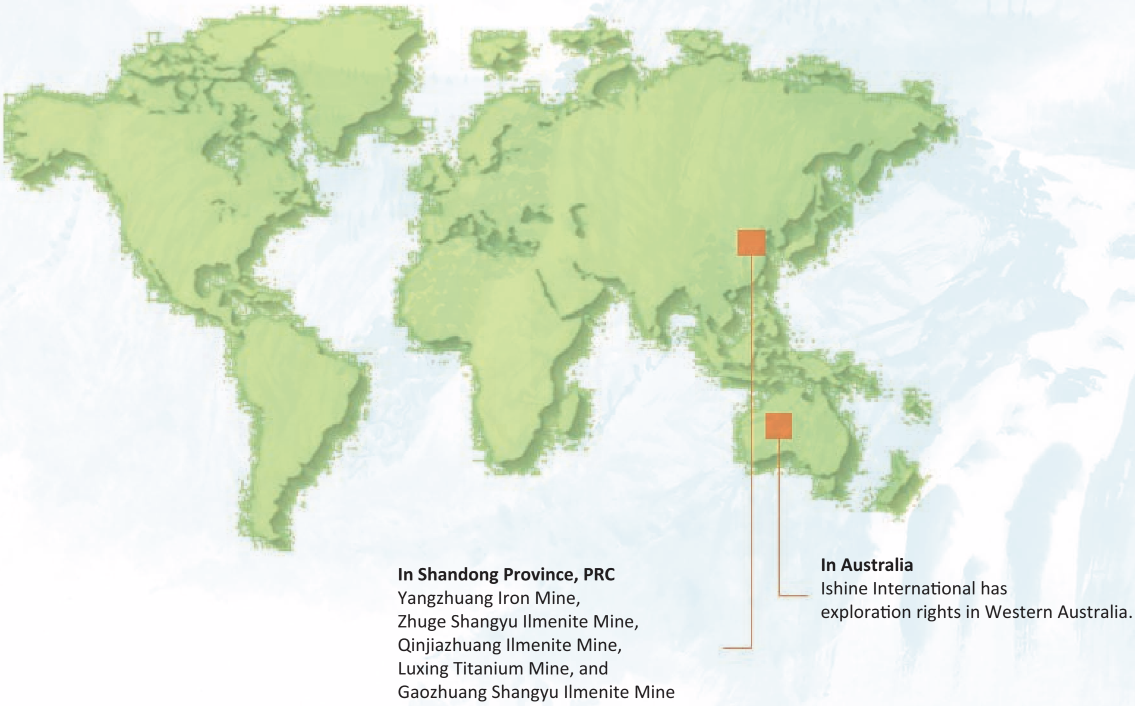
Over 2000*
Trees can grow to or over 5 meters offsetting Greenhouse gas emission

* Total amount since the company establishment

ABOUT OUR BUSINESS

Business Perspective

We are the largest private-owned iron ore and titanium producer in Shandong Province, People Republic of China. Our currently owned mines include Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine, Qinjiazhuang Ilmenite, Luxing Titanium Mine and Gaozhuang Shangyu Ilmenite Mine. Principally engaged in iron and ilmenite ore exploration, mining and processing, we focus on producing iron concentrate and plan on developing titanium concentrate business. Our products are sold directly to iron pellets and steel producers.



Our major operation in this reporting year focused on small-scale processing at Yangzhuang Iron Mine. Total amount of **11,400 tons** of iron ore concentrate were produced, in response to the global iron concentrate market dropping downturn. We exercised appropriate control on the production and processing, maintained storage of ores. We also further provided proper maintenance to the mines, in order to be well prepared for the production in a boom market.

Environmental, Social and Governance Report 2016

ABOUT OUR BUSINESS

Social and Environmental Expenditures

We manage our impacts, both positive and negative, from the planning to the completion stage of our mining projects (more information can be found in the "Relationship with People" and "Relationship with the Environment" sections). Our commitment to sustainability is reflected in our investment of over **RMB53.3 million** since the company was established. Of this total, approximately **RMB52.1 million** was spent on natural resources preservation and ecosystem reclamation, and approximately **RMB1.2 million** was used to develop neighboring communities.

Types of our environmental expenditures include but not limited to:

– Cooperation with scientific and research institutions to improve ore processing techniques and preserving mineral resources

– Innovation of patented tailing dry discharge system, saving water resources and minimizing tailing dam break

– Afforestation to offset Greenhouse gas emissions

– Land reclamation to enhance soil fertility

Types of our social expenditures include but not limited to:

– Environmental management for neighboring community

– Poverty relief, education system construction and activity sponsorship for community

Environmental and Safety Licenses

Our licenses, including new exploration permits, mining rights and renewal of existing ones, are subject to environmental impact assessments and safety production permits offered by local governmental departments. These processes ensure our compliance with relevant legal regulations, and provide an opportunity to demonstrate our corporate responsibility and commitment to developing a sustainable green mine.

We successfully attained the exploration permit, mining right, and safety production permit of Yangzhuang Iron Mine and regularly extend their validity. The mining right is currently valid to 2019, with an approved annual mining production scale of 2.3 million ton. There was no exploration and mining activities in 2016, in which 80,000 tons was processed and 11,400 tons of iron ore concentrate was produced in this reporting year.

Our Independent Third Party Blasting Contractor has obtained the blasting qualification certificate and blasting permits under the relevant PRC laws and regulations required to carry out their blasting work at our Yangzhuang Iron Mine.

INTERNAL AND EXTERNAL GOVERNANCE

Ethics and Conduct

We believe that honesty, integrity and justice are valuable assets for our long-term development. All employees should conduct in a manner free from bribery, extortion, fraud, money laundering, disloyalty and corruption to uphold the Group's reputation and value. We have set employee discipline policies and management system to prevent, monitor and report any misconduct in our daily operation.

Since company establishment, there is nil complaint or legal case regarding corrupt practices brought against the issuer or its employees.

0 Legal Case

Suggestions or complaints from stakeholders are welcomed through our hotline, email or by mail. We take a fair view and active response towards all suggestions and complaints, and all personal information will be kept completely confidential.

Safety Billboard #1
at Yangzhuang Iron Mine

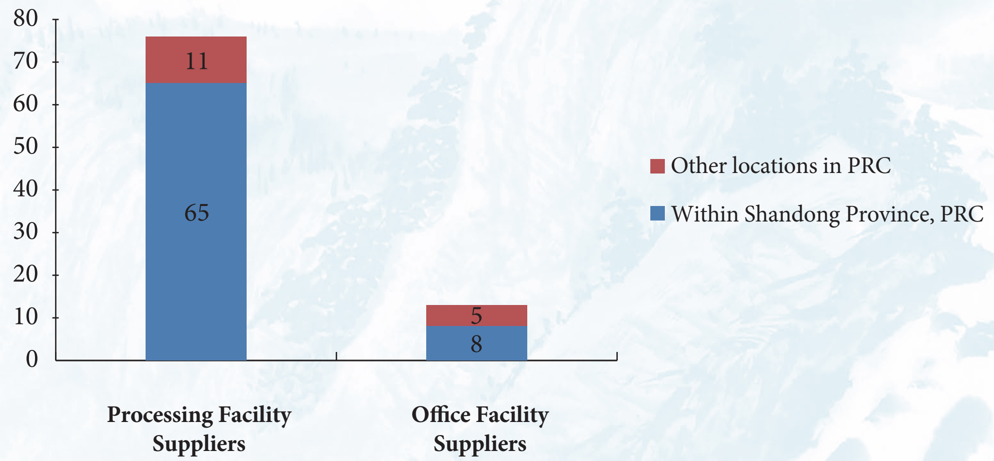
Safety Billboard #2
at Yangzhuang Iron Mine

INTERNAL AND EXTERNAL GOVERNANCE

Supply Chain Management

Suppliers, as an integral part of our stakeholders, act as the cornerstone towards our business development. As our suppliers contribute indirectly to our environmental and social impacts, we have set up policies and measures to ensure suppliers conform to all legal regulations and our supplier selection standards. These measures include surveys and site visits to supplier factories, in order to keep our supplier accountable for product quality management, environmental and employment responsibilities, as well as community development.

Suppliers by locations



One example of our efforts in reducing supplier's environmental impact – we are concerned about the carbon footprint produced by goods transportation from suppliers to us. Therefore, currently there are 86% processing facility suppliers and 62% office facility suppliers stationed within Shandong Province, thereby reducing unnecessary indirect GHG emissions.

Besides our facility suppliers, we care about our contractors. Blasting and mining contractors, as part of our most important suppliers, are responsible of undertaking blasting and mining works at Yangzhuang Iron Mine. We hold regular safety meetings in ten-day periods with our blasting and mining contractors to ensure that all their activities are under safe operation and strengthen their coping capacity during emergency situations.

INTERNAL AND EXTERNAL GOVERNANCE

Responsibility to Our Product

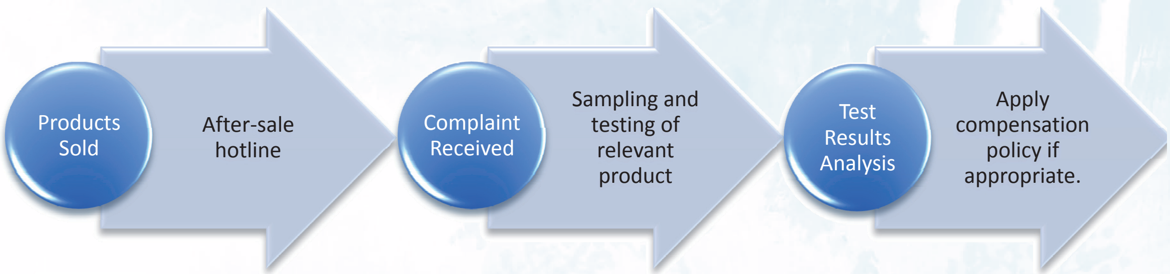
Production Quality Assurance

Producing high quality products give our stakeholders confidence, and is our ultimate pursuit as well. Based on internal governance and supply chain management as cornerstones, we conduct rigorous quality assurance management to further ensure our product quality. Our product quality management first ensures that staff activity is conducted in a systematic manner, followed by routine inspection and equipment maintenance and upgrades. In addition, trainings are provided to develop staffs' technical skills and to raise their overall awareness for product quality throughout the production processes. Through these approaches, we are able to manage and prohibit any unqualified products from reaching our customers. All products sold comply with relevant laws and regulations, and meet the needs of our customers.

After-sale Services

In order to improve our after-sale services, we formulated management policy for complaints from customers and regulatory authorities respectively. We take responsive actions to resolve any quality-related issues, in order to maintain a harmonious and steady relationship with our customers. When issues arise, we will sample and test relevant products. All verified cases of quality issues caused by our company, compensation will be made to customers according to relevant policies.

With captioned management in place, no product or service has ever been returned or complaint received in the reporting period, neither has any product sold been recalled for safety or health reasons.



Privacy

In order to protect customer's privacy, we formulated a management system according to relevant archives management and confidentiality work regulations. Customer files are generally kept in password-protective archives by specific personnel.

Technology Innovation

We coordinated with the Institute of Process Engineering, China Academy of Sciences to research in technological innovation for enhancing iron concentrate. We also worked with Siberian Division of the Russian Academy of Science to introduce new processing technologies. Our investments in these areas both improved product quality and decreased processing cost as well.

Intellectual Property Right

In order to strengthen the protection of intellectual property rights and standardize intellectual property management, we have established an intellectual property rights department and internal policies. Our intellectual property rights include a) Patent rights and technology secrets, b) Trademark rights and know-how, c) Copyright (including computer software), and d) Other intellectual properties related to national laws and regulations. In particular, our tailing dry discharge system has obtained a national patent in PRC, and has substantially improved our utilization rate of water and mineral resources.

We also encourage our employees to initiate, create and promote the application of scientific and technological achievements. Every staff should heed their responsibility of intellectual property right management within their business scope.

RELATIONSHIP WITH PEOPLE

Health and Safety

Recognizing the inherent hazards in the mining industry, we uphold employees' health and safety to the highest priority. In order to ensure the occupational safety and health of our employees, we strengthen safety management to reduce and eliminate accidents, enhance property security and avoid occupational diseases based on comprehensive personnel safety and health management policies.

Emergency rescue drills

Emergency rescue drills

0 Number of deaths due to work

0 Number of working days loss due to work injury

Under the core policy of "Safety first, Prevention-oriented and Comprehensive Management", a responsibility distribution system was set up in which directors at all levels, engineers and technicians take up their responsibilities in safety production. Under this responsibility system, the entire production process will be inspected and every person in charge of an operation will be regulated if his or her dereliction of duty was found.

Employee occupational safety training (Yangzhuang Iron Mine)

To implement our safety policy, our detail solutions to enhance employee occupational safety are as follows:

– Formulate emergency rescue plan and regularly hold exercises;

– Implement regular safety meeting;

– Provide education and trainings for employees;

– Hold safety meetings regularly with our blasting and mining contractors;

– Organize occupational hazards physical examination for employees before, during and after operations;

– Set up emergent necessity system, monitoring and inspection system, personal location system (PLS), communication system, water and air supply system for the worker(s) underground;

– Maintain underground drainage system to prevent flooding;

– Build specific rooms and corridors for safety education and promotion.

Not only do we care about employees' physical health and providing safe working conditions, we also care about employees' mental health. To that end, we provide mental health management, including regular communication with and hold health seminars for our employees. Under the comprehensive health management system, our employees are able to maintain both physical and mental well-being, and also record no occupational fatality or lost-time injury in the reporting year.

RELATIONSHIP WITH PEOPLE

Employment Relations

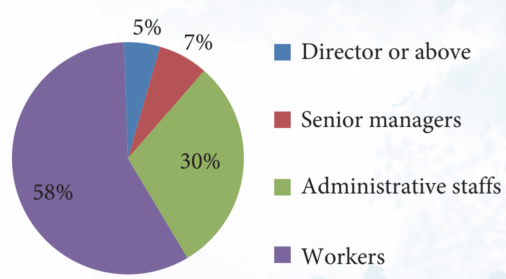
We value our human resources, which is reflected in our people-oriented management philosophy. We formulated rigorous regulations on recruitment and employment processes in order to standardize recruitment procedures, avoid any unfair recruitment issue, and optimally strengthen company competitiveness. We mainly engage in open recruitment process, which conforms to employment recruitment regulations. The HR department is responsible for the recruitment process while the supervisory department conducts internal audit of recruitment process. If any process is found to be against regulations, including recruitment of juveniles under age of 16, forced labor and illegal labor, the HR department and supervisory department would have a joint investigation and implement any disciplinary measures.

To further establish a harmonious labor relationship, all our employees receive career development and equal opportunities for promotion regardless of gender, age, region, position or employment type. Meanwhile, to preserve the positivity and creativity of employees, and to encourage them to fully develop personal intelligence and talents, our reward and welfare distribution are strictly based on personal contribution and performance.

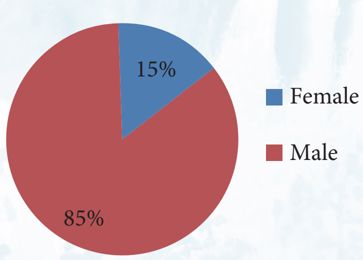
To protect employees' legal rights, we set up employee social security management regulation according to national regulations, guaranteeing that employees have received due benefits. Also, in order to guarantee employees' human rights and improve their working efficiency, we formulated regulations to standardize employee off-duty management.

By the end of this reporting year, we had a total of 165 workers, not including our contractors, with the following distribution characteristics.

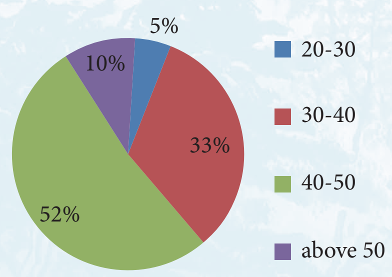
Distribution by Position



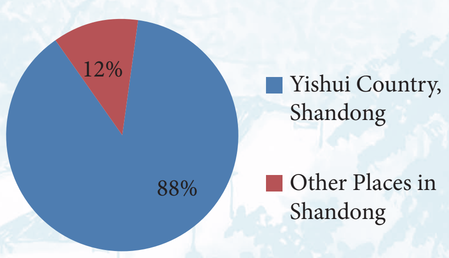
Distribution by Gender



Distribution by Age



Distribution by Region



Turnover

By the end of this reporting year, our turnover rate was 37.3% – mostly from frontline workers. Generally the high turnover rate of frontline workers occurs over the Chinese New Year period in mainland China.

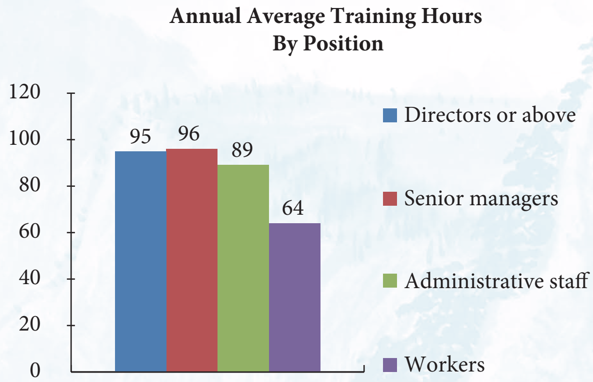
Category	2016 Turnover Rate (%)
By gender	
Men	31.2%
Women	6.1%
By positions	
Directors and above	0.0%
Senior Managers	1.5%
Administrative Staffs	9.5%
Workers	26.3%
By age bracket	
Between 18 – 20	0.0%
Between 20 – 30	3.1%
Between 30 – 40	20.9%
Between 40 – 50	12.2%
Above 50	1.1%
By origin	
Yishui County, Shandong Province, PRC	35.4%
Other places, PRC	1.9%

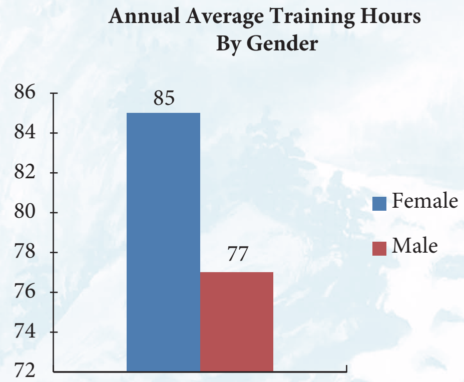
Our HR department has regular discussion and communication with employees and conduct satisfaction survey annually. At the end of each year, there would be an investigation engaging all employees about their opinions towards Group's management, policies, culture, welfare and environment, etc. This communication approach helps management better understand its employees, and thereby reducing turnover rate. In this reporting year, types of investigations including face-to-face conversation, satisfaction questionnaire had been applied. The investigations involved 142 people and the results showed that employees reached a good balance of work and life, reflecting a positive feedback on the management of the company.

RELATIONSHIP WITH PEOPLE

Training and Development

We believe in the continuous development of employees, as the more well-equipped our employees are, the more efficient the company becomes. The numerous benefits include enhancing employee self satisfaction, improving their working performance, avoiding occupational accidents, while also enhancing our human resources competitiveness and accordingly beneficial to company sustainable development. We therefore developed employee training management regulations and afford comprehensive training courses to our people.





All of our employees participated in internal training courses with an annual average of 78 hours in the reporting year. All our staff are protected under equal opportunity policy, which shows our policy that no discriminatory treatment in gender.

RELATIONSHIP WITH PEOPLE

Community Engagement

In pursuit of building a good relationship between the Group and the local community for a win-win situation, we make every effort to create a green and harmonious environment to drive the region's environmental, social and economic development simultaneously. In the recent several years, the Group has performed the following jobs:

Caring about and supporting public education, we donated over RMB121,000 to the public education development within Yangzhuang Iron Mine's neighboring community – Yishui County, including construction of several community colleges.

400 employment opportunities were afforded to residents in nearby community in recent years. Among these employment positions, around 160 for Qinjiazhuang, 50 for Shuiniu, 38 for Gongdan Mountain, and 120 for other villages were offered – priority is given to residents of nearby communities in our development.

To develop a sustainable environment, we invested over RMB120,000 in environmental management of neighboring communities. We not only take comprehensive utilization of our by-products to mining reclamation and provide self planted fruits and vegetables to villagers for free, but we also invested in greening barren mountains, greening villages and providing haze disaster relief, etc.

For poverty relief and charities, we invested over RMB263,500, including relieving the lonely elderly of no family and constructing community facilities.

To further contribute to society, benefits community and improve the Group's image, we sponsored community activities for over RMB700,000 and also positively participated in them.

Reclamation soybean planting in Yangzhuang Iron Mine

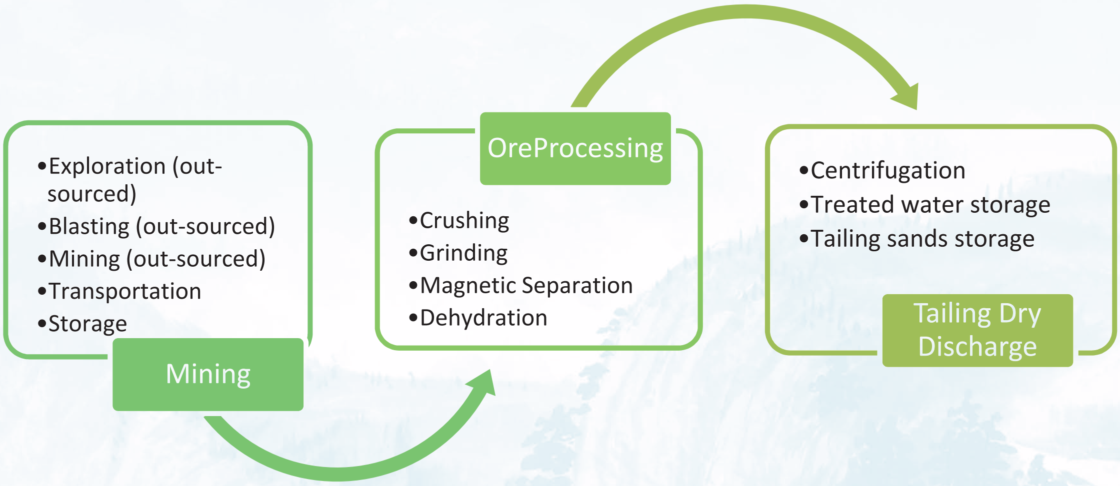
Fishes swimming in and wild gooses flying over the artificial lake with water from our own production of wastewater (Yangzhuang Iron Mine)

RELATIONSHIP WITH THE ENVIRONMENT

We rely on the environment for existence, well-being and development. Thus, in the mining business where environmental degradation is a particular concern, we adhere to policies to protect the environment in parallel with our business development. We carried out environmental management initiative both within our Group boundary and in surrounding community – offer our people a green working condition, our community a green living condition, our Group a green mine for longer service period, and our industry a more competitive position in international market.

The resources consumed in 2016 were listed by type with total consumption amounts and intensities by output as below. The iron ore concentrate output for the reporting year is 11,400 tons.

Resource Type	Total Amount of Consumption	Resource Consumption Intensity (per ton output)
Water ***(mining, processing, municipal use)***	297,000 m^3	26.05 m^3
Electricity ***(mining, processing use)***	2,297,923 kwh	201.57 kwh
LPG ***(municipal use)***	60 kg	0.005 kg
Diesel ***(transportation use)***	69,800 kg	6.12 kg



We manage our major activities, including mining, iron processing and tailing dry discharge, and their respective potential environmental impacts.

1. Potential impacts on air quality:
   – Particulate matters (PM) produced and emitted during mining and ore processing stages
   – Greenhouse gases (GHG) produced and emitted in all operation stages
   – Air pollutants produced and emitted in the blasting and transportation steps

2. Potential impacts on water resources:
   – Reduction in underground water availability in the exploration and blasting steps
   – Change in surface and underground water dynamics in the exploration and blasting steps
   – Degradation of water quality during the ore processing stage

3. Potential impacts on land:
   – Land occupation by treated water and tailing sands storage
   – Change of geographical structure in exploration and blasting steps

4. Potential impacts on ecosystem:
   – Habitat loss in mine operation area and outside mine operation area
   – Loss in fauna and flora richness, diversity and population
   – Fragmentation of ecosystems

Our measures dedicated to avoid and reduce environmental impacts in these aspects are introduced in following sections.

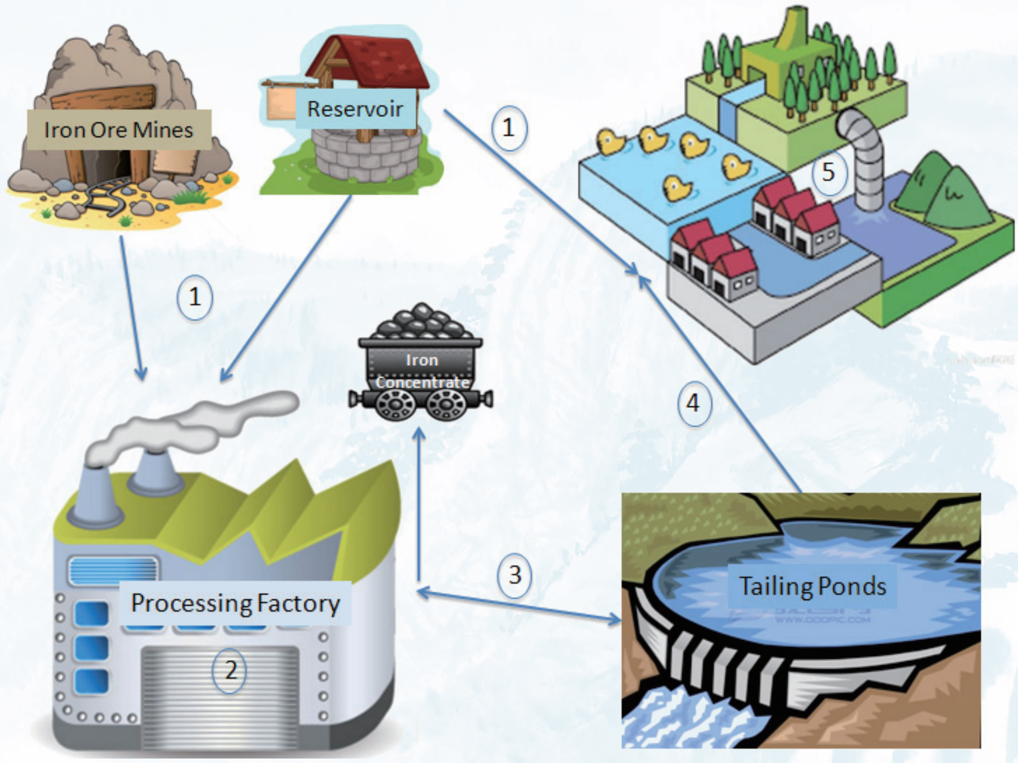
RELATIONSHIP WITH THE ENVIRONMENT

Water Resources Management

Patent Tailings Dry System (Yangzhuang Iron Mine)

Zero sewage discharge as a very firm step towards a genuinely green mine, truly reflects our fundamental principle of "Reduce and Reuse Water". Here we specified zero sewage discharge in processing activities and municipal sewage, which were collected and directed to our tailing dry discharge system and municipal sewage treatment facilities respectively. Amount of water used for dust suppression mitigation measures is considered minimal here.

Our mining method utilizes physical processes, thus eliminating any impact potentially induced by chemical processes. We invented water reclamation and tailing dry discharge system to achieve zero sewage discharge and maximize utilization of tailing sands. The water utilization cycle is operated as follow:



1. Collect underground water from rain water, reservoir and mines for mining and processing use;

2. Water is used in the iron ore extraction process; and waste water is collected by recycling equipment;

3. Waste water from processing factory is treated by tailing dry discharge system to separate water and tailing sands, and treated water is stored in tailing ponds for recycling use in processing factory;

4. Part of treated water from tailing pond will be inputted in our artificial lake;

5. In addition, our domestic sewage will be treated by our owned treatment plant and then to be used for irrigation.

Our water reclamation and tailing dry discharge system is not only certified as a national patent, but also water from it accounts for all water consumed in the reporting year. Water quality of both water resources and treated sewage comply with relevant standards and are eligible to be used for corresponding purposes.

RELATIONSHIP WITH THE ENVIRONMENT

Energy and Mineral Resources

Mutual balance between energy use and climate change is crucial for our long-term sustainability. We made every endeavor to improve our resource and energy utilization rate, thereby contribute in slowing down the pace of climate change.

Resources Utilization: We apply short-hole shrinkage mining and sublevel room mining to increase our resource utilization rate – mining recovery rate was increased thereby maximizing utilization of measured iron ore resources and extending the mine's service life.

Energy Utilization: We understand that corporate reduction in Greenhouse gas (GHG) emissions can have a major influence on combating global warming and climate change. Therefore we are dedicated to decrease our own GHG emissions, as well as encouraging our stakeholders to do so. Measures we took to reduce GHG emissions are as follow.

We conducted preliminary iron ore selection at mining process – by taking out part of waste rocks, the ore quantity needed for grinding has decreased significantly. This achievement helps to cut down our cost on energy usage and electricity, reduce direct Greenhouse gas emission and air pollutants.

We used more crushing and less grinding procedures in iron ore processing. This approach helps to reduce electricity consumption and respective GHG emissions for achieving specified iron ore granularity. It also helps to enhance the efficiency of magnetic separation to improve product quality.

Being one of the State Green Mine in China, large quantities of selected flora are planted within site boundary. This laid the foundation in conducting carbon removal to offset our GHG emissions. For details of afforestation, please refer to the "Biodiversity and Land Use" section.

GHG Emissions and Removals 2016

Direct GHG Emissions	Tons of CO_2 equivalent	GHG Emission Intensity by output unit[C] (tons of CO_2e/ton)
Scope 1 Stationary Sources	0.05	/
Scope 2 Non-renewable Grid Electricity	1,837.19	/
Total	1,837.24	0.16

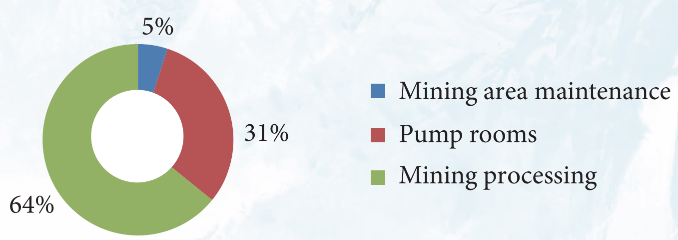
Remark:

(a) The scope of data does not include exploration and blasting works outsourced to our contractors;

(b) Scope 1 GHG emission from mobile sources owned by the company is very minor as most logistics were outsourced to contractors, hence relevant data was not disclosed;

(c) The output unit is per tons of produced iron ore concentrate. Total produced iron ore concentrate was 11,400 tons in the reporting year.

Direct and Indirect GHG Emissions By Source
Total of tons of CO_2



Scope 3 Indirect GHG Removals	Planted Tree Quantity	Tons of CO_2 equivalent
Persimmon Tree	214	4.922
Gingko	74	1.702
Acacia	105	2.415
Willow	383	8.809
Lodgepole Pine	216	4.968
Cedar	200	4.6
Platanus	87	2.001
Locust	1	0.023
Elm	2	0.046
Pagoda	596	13.708
White Poplar	404	9.292
Total	2,282	52.486

Remark: trees being counted for GHG removals had been planted for years and have the ability to grow over 5 meters in height.

Based on our current consumed energy type, we are moving forward to take utilization of renewable energy (e.g. wind power electricity generation) to partly substitute existing energy types.

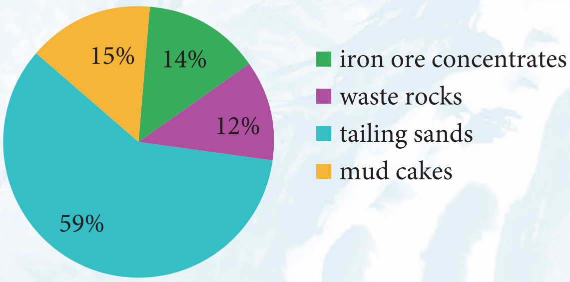
Comprehensive Utilization of Cement Mixture for Tailings 1 (Yangzhuang Iron Mine)

Comprehensive utilization of cement mixture for tailings 2 (Yangzhuang iron ore)

Our air pollutants during operation are mainly particulate matters (PM) arising from mines and outdoor storage yards. Those PM were controlled by water spray. Those arising from processing factories would initially be controlled by water spray, then collected by dust collecting tower and emitted with compliance to relevant national standards. Our owned vehicles were installed with exhaust gas purifier and emitted minimal SOX and NOX which are not recorded at this stage. Since the exploration, blasting and mining processes were outsourced to our contractors, the air pollutants are not included in this reporting year.

Mining Processing Products of 2016

Total of tons of iron ore



Our non-hazardous emissions mainly composed of municipal waste and mining processing wastes.

In 2016, we processed about 80,000 tons of iron ores and produced 11,400 tons of iron ore concentrates as our final product. This process produced wastes, including waste rocks, tailing sands and mud cakes. Waste rocks were used for paving roads; tailing sands and mud cakes were used for gob stowing and land reclamation. These comprehensive utilizations of all processing by-products minimized formation of tailing dams, thereby reducing land demand and potential risks of tailing dams break.

Municipal wastes of office buildings and living area are collected by regional refuse station.

No hazardous emission was produced as only physical processes instead of chemicals were adopted in our mining processing factories.

RELATIONSHIP WITH THE ENVIRONMENT

Biodiversity and Land Use

The nature of our business principally has impact on local physical environmental, which in turn has influence on its biotic environment. Without a proper management system, the ecosystem may encounter an imbalance, culminating in irreversible environmental impact. Thus, we put emphasis on the protection of our lands and biodiversity through prevention, control, mitigation and compensation. In recent years, we invested over RMB52 millions in natural resources preservation (water source, mineral sources, etc.) and ecological construction.

- **100%** greening of afforestation area;
- **100%** recycling water for operation afforded by our patented tailing sand dry discharge system in this reporting year;
- **high** ore dressing recovering rate, improving mineral resource utilization rate;
- **Over 200,000** trees and other plants were planted on our own initiative;
- Geographical remediation and afforestation to Gong Dan Mountain, including **9,500 m^2** slope surface arrangement, **1,280 meters** mine cracks control, **15,425 m^3** blasting perilous rocks, **3,900 m^3** earthwork backfilling, and afforestation including **10,479 m^2** grassing, etc;
- Landscapes of mining areas on both visual sides of highways were comprehensively afforested.

For open-pit mining environment and tailing dams which were adopted before the establishment of the company, we applied afforestation to outdoor mining area; and slope cutting, broadening, strengthening, and afforestation of tailing dams to minimize potential dam break concerns. All our achievements were witnessed by government and community, and we eventually became one of first mining companies being certified as “State Green Mine” by Ministry of Land and Resources and China Mining Association becoming one of the five iron mines certified. In May 2016, the company has achieved the top 10 of the most influential Green Eco-friendly corporation for 2015 in Shandong Province.

The lotus and pear in the mining area (Yangzhuang Iron Mine)

BUSINESS REVIEW

The principal activities of the Group are iron and ilmenite ore exploration, iron ore and ilmenite ore mining, iron ore processing to produce iron concentrates and titanium concentrates and trading of iron concentrates in Shandong Province, the People's Republic of China (the "PRC" or "China"). Since 2013, the Group has started to engage in ilmenite ore mining and ilmenite ore processing to produce and sell iron concentrates and titanium concentrates, and establish the full titanium industrial chain in Shandong Province, the PRC. The Group's major customers are iron pellets makers and steel manufacturers located in close proximity. Since 2015, the Group has started to engage in finance lease activities in the PRC.

Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Yang Wenxing on 19 December 2012 to acquire 95% of the equity interests of Luxing Titanium (臨沂魯興鈦業股份有限公司) at a consideration of RMB20.9 million (the "Acquisition"). The Acquisition was completed in the first quarter of 2013. Luxing Titanium is a mining company based in Shandong Province, the PRC, and is principally engaged in ilmenite ore mining and processing to produce and sell iron concentrates and titanium concentrates. For details of the Acquisition, please refer to the announcement of the Company dated 19 December 2012.

In April 2015, Tianjin Ever Grand Financial Leasing Co., Ltd. ("Ever Grand") was incorporated in Tianjin, the PRC, and is principally engaged in finance lease business in respect of domestic and overseas purchase of leased properties, disposal and maintenance of leased properties, and consultation and guarantee on lease transactions in the PRC.

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

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

The Group's revenue decreased by approximately RMB236.3 million, or approximately 80.2%, to approximately RMB58.2 million for the year ended 31 December 2016, as compared with approximately RMB294.5 million for the year ended 31 December 2015. The decrease in revenue was primarily due to (1) the decrease in turnover by approximately RMB139.3 million from trading of coarse iron powder; (2) the decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine by approximately RMB44.6 million; (3) the decrease in sales of mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately RMB52.0 million; and (4) the decrease in sales of iron concentrates produced from ilmenite ore of Zhuge Shangyu

Ilmenite Mine and ilmenite ore of Luxing Titanium Mine by approximately RMB1.2 million and RMB4.2 million respectively for the year ended 31 December 2016, which was offset by the increase in sales of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine and ilmenite ore of Luxing Titanium Mine by approximately RMB6.2 million and RMB0.6 million respectively for the year ended 31 December 2016.

The total comprehensive loss attributable to owners of the Company was approximately RMB116.9 million for the year ended 31 December 2016, representing a decrease of approximately RMB144.5 million or approximately 55.3% as compared to that of approximately RMB261.4 million for the year ended 31 December 2015. This was mainly due to (1) the gross profit increased by approximately RMB36.7 million from the gross loss of approximately RMB34.7 million for the year ended 31 December 2015 to the gross profit of approximately RMB2.0 million for the year ended 31 December 2016. The main reasons for the increase were (i) the decrease in gross loss of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from the coarse iron powder by approximately RMB12.2 million from the gross loss of approximately RMB12.2 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016; (ii) the increase in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB3.5 million from the gross loss of approximately RMB3.3 million for the year ended 31 December 2015 to the gross profit of approximately RMB0.2 million for the year ended 31 December 2016; and (iii) the decrease in gross loss of trading of coarse iron powder by approximately RMB20.9 million from the gross loss of approximately RMB21.4 million for the year ended 31 December 2015 to the gross loss of approximately RMB0.5 million for the year ended 31 December 2016; (2) the decrease in the loss from issuance of unlisted warrants from approximately RMB13.5 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016. On 1 June 2015, 140,000,000 unlisted warrants were issued at par value of RMB0.0016 each and the exercise price was RMB0.319; and (3) the decrease in the impairment loss of assets by approximately RMB105.8 million from approximately RMB136.6 million for the year ended 31 December 2015 to approximately RMB30.8 million for the year ended 31 December 2016.

Measures adopted by the management in 2016:

I. In response to the current global economic downturn, the Group conducted research on its key businesses and sorted them accordingly and made some adjustment to its strategies with preliminary results achieved.

(I) Sticking to the development of titanium business, and adjusting iron concentrates production in a timely manner.

The Group continued to make great efforts in planning and implementation of a comprehensive industrial chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Based on internal research and development of production, the Group made certain progresses in the research and development cooperation with Chinese Academy of Sciences and the technology transfer cooperation with the Russian Academy of Sciences. The Group also conducted three due diligence activities and project selection activities in regard to potential mergers and acquisitions of enterprises in the whole titanium business or other ways of cooperation, and preliminarily established a practicable planning by which the Group has been seeking for good investment opportunities.

As for the iron concentrate business, the Group adjusted and implemented its production plan in due course based on market changes and needs, and protected the interest of its shareholders and investors.

(II) Expanding into clean energy business with preliminary results achieved.

The Group also conducted a feasibility study in respect of the policy from the central government that qualified private enterprises are encouraged to engage in the wind energy and photovoltaic electricity business. Where possible, the Company would leverage the resources of large state-owned enterprises and professional listed groups to obtain the planning permit and grid access to the state grid and to expand into the new clean energy business. In September 2016, Shandong Ishine completed the acquisition of Yishui Shengrong New Energy Limited (沂水盛榮新能源有限公司) ("Yishui Shengrong"). Yishui Shengrong owns a 49,900-kilowatt wind power project located in Eshan, Yangzhuang Township, Yishui County, Linyi City, Shandong, the PRC which won a place in the 2016 Project Arrangement for Wind Power Development and Construction in Shandong (山東省2016年風電開發建設項目安排情況) issued by Shandong Development and Reform Commission on 17 May 2016.

The acquisition actively helped the Group to tap into the wind power business, and will broaden the revenue stream and bring return to shareholders.

On 30 September 2016, Shandong Ishine entered into a legally binding district exclusive strategic cooperation agreement with State Power Investment Corporation Shandong Energy Development Company Limited (國家電投集團山東能源發展有限公司) ("Shandong Energy"), pursuant to which Shandong Ishine and Shandong Energy shall carry out comprehensive cooperation in onshore wind power, energy facilities in integrative park, distributed energy and solar thermal comprehensive energy engineering application by way of cooperative development, construction and operation.

The entering into of the agreement to strategically cooperate with Shandong Energy is the first project after acquisition of Yishui Shengrong, to further implement the Group's strategic decision on industrial transformation of wind power, photovoltaic power plants and solar thermal power generation and heating projects.

(III) Expanding into water pollution treatment business.

In second half of 2015, the Ministry of Environmental Protection of the PRC published the "Water Pollution Treatment Action Plan" which indicated that water pollution treatment shall not be taken lightly. The implementation of "Water Pollution Treatment Action Plan" brought great opportunities for the market of water pollution treatment. The Group's application of technology of draining residual ores achieved "zero emission" of industrial waste water, making it the first domestic mining company to get rid of tailing dam and achieve the recycle of industrial waste water. The implementation of water recycle projects effectively reduced water consumption. With such achievement, Shandong Ishine was granted a patent certificate for draining tailing system by the State Intellectual Property Office in 2012 and was recognised as the "Highlighted and Demonstrative Project of Draining Tailing in Shandong Province" by the Land and Resources Department of Shandong Province. The Group planned to improve the technology and solutions for treatment of complex water quality based on its existing patent and technology as well as past successful experience and by further introducing new microbial technology. In addition, the Group also developed the above said patent and the most advanced water treatment technology into external business and was able to contract projects for the water treatment of river channels in the PRC and other possible water treatment projects.

(IV) Expanding soil pollution treatment business using microbial technology with preliminary results achieved.

In order to solve soil pollution problems, the Ministry of Environmental Protection of the PRC has drafted the "Soil Pollution Treatment Action Plan" which shall be implemented after the completion of reporting and approval procedures. Soil pollution treatment has always been taken seriously by the society and, together with the treatment of air pollution and water pollution, constitutes three environmental treatment action plans in the PRC. The Group planned to use the latest microbial technology to extract and synthesise the trace amount of titanium contained in the residual ores in Shandong Ishine together with the humic acid contained in the coal residual ores into microbial fertiliser, which contributes to solving the problems of soil compaction, pesticide and fertilizer residue and heavy metals contamination. In the second half of 2016, the Company mastered the technique of efficient and high quality microbial fertilizer.

II. Changing the company name from China Zhongsheng Resources Holdings Limited to Add New Energy Investment Holdings Group Limited.

Great love knows no boundary, noble virtue conquers all fences. The change of company name reflects the main direction of business development, which is developing new clean energy improving the entire living environment of human beings, as well as improving water and soil resources through cutting-edge technology and deepening the expansion of basic resources closely related to human destiny such as iron and titanium, all aiming to thoroughly remedy the deficiency of the excessive reliance on resources and the single products structure of the Company so as to improve the Company's risk resistance. The change of name brought an innovation of concept and the implementation of development strategy, which will certainly promote development of all business segments of the Company.

III. Further strengthening the management of trade receivables, facilitating payment collection and risk prevention.

In 2016, the business department accepted advance payments for selling so as to prevent further bad debts. In order to strengthen the management on trade receivables, the salesmen would push the collection of the invoiced payment amount once the business department dispatched the goods, especially for the overdue trade receivables. Particulars such as the client's name, transaction amount, reason for non-payment should be reported to the responsible manager and financial department during payment collection so as to take measures accordingly. The financial department arranged part-time controllers for trade receivables, who should be responsible for payment collection and account statement reconciliation. The controllers should be committed to the trade receivables management, closely monitor the collection progress of and changes in trade receivables and complete ageing analysis. Extra attention should be paid to overdue trade receivables. Specific analysis should be conducted on specific clients on their recent operation and working capital status so as to adjust their credit ratings in a timely manner and then report to the business department for handling and collection under respective deadlines.

As at 31 December 2016, trade receivables decreased by approximately RMB56.2 million as compared to the beginning of the year.

IV. Actively seeking for official support such as advance construction funds from government.

The Group actively sought support from government based on the relevant national policy. In 2016, the Group received advance construction funds and government grants from the government amounting to approximately RMB10.4 million.

V. Downsizing and pay cuts to reduce operating cost.

In view of continued downturn of global resources and commodity markets and due to our over-reliance on resources and undiversified products, the performance of the Company was poor. In order to get rid of the downturn in a short period of time, the Company took initiatives to reduce its operating costs. By reducing the total number of staff through layoffs and general pay cuts, the Company reduced the pressure on personnel expense in order to alleviate its economic pressure to overcome the difficulties in operation. Aiming to improve the allocation between the staff and positions, the Company selected the superior and eliminated the inferior to create positions available for excellent talents so as to improve the quality of human resources. As of 31 December 2016, the number of staff decreased by 47 as compared to the end of last year, saving cost of human resources of approximately RMB6.0 million.

VI. Taking initiatives to reduce non-production expenses and management cost.

Facing the current economic condition, the Company adhered to the principle of austerity at all levels. By further enhancing a series of management rules for savings and consumption reduction, the Company further reduced the operating cost and also plugged the management loopholes and eliminated redundant expenses. In 2016, by taking further measures on controlling travelling, vehicles, office and entertainment expenses, expenses decreased by approximately RMB2.1 million.

VII. Adhering to the management philosophy of "people-oriented", improving education and training, maintaining stable workforce as well as protecting, motivating and utilising the enthusiasm and creativity of the staff.

In order to establish harmonious labour relations and safeguard the legitimate rights of workers, all staff enjoyed equality in career development opportunities under diversified job allocation and management. In response to the ever-changing needs of external market and internal management, the Company rationalised its staff allocation according to different gender, age and experience with respect to job requirements. The Company maintained a certain percentage of core staff so as to devote its limited human resources into its core business and management for growth in business volume, corporate transformation and project requirements. The Company also strengthened its education and training to set up an excellent learning team and established a sound personnel mechanism and a platform for fair competition so as to give full scope to the talents.

Management Discussion and Analysis

OPERATION OVERVIEW AND CAPITAL EXPENDITURE

I. Production and operation

1. Yangzhuang Iron Mine

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

In 2016, the Group planned to decide whether to mine and process its own mines based on the market conditions. It analysed operating risks and judged the timing for trading, and based on profitability to decide whether to process with part of coarse powders purchased from other suppliers. The price of iron ore concentrates has showed an upward trend since the second half of 2016, while the iron ore processed and iron concentrates with 65% iron content produced during the whole year amounted to approximately 0.08 Mt and 0.011 Mt, respectively.

In 2016, the Group invested approximately RMB0.7 million in Yangzhuang Iron Mine. Due to the market condition, there was no exploration and mining activity carried out in the mine.

2. Zhuge Shangyu Ilmenite Mine

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

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

The Group has decided its investment amount in the 2.0 Mt processing line and production line in the mine based on the market conditions since 2013. If the market remains stagnant and less profitable or not profitable at all, the Company will reduce its investments. The construction schedule of the mine will be based on the market conditions.

In 2016, the Group invested approximately RMB4.0 million in processing line and production line as well as infrastructure in Zhuge Shangyu Ilmenite Mine. Due to the market condition, there was no exploration, mining or processing activity carried out in the mine.

3. Qinjiazhuang Ilmenite Mine

In 2016, the Group was determining whether it will make investment in or conduct production activities at Qinjiazhuang Ilmenite based on market changes.

Due to the market condition, there was no capital expenditure and no exploration and mining activity carried out in the mine in 2016.

4. **Luxing Titanium**

Luxing Titanium currently possesses a mining permit with an annual mining production scale of 1.5 Mt.

The Group has set its basic business objectives as protecting resources against resource sell-off and for the interest of shareholders based on the market conditions in 2016. The Group will decide whether to mine and process its own mines based on profitability.

In 2016, the Group invested approximately RMB0.1 million in Luxing Titanium. Due to the market condition, there was no exploration, mining or processing activity carried out in the mine.

5. **Gaozhuang Shangyu Ilmenite Mine**

In 2016, there was no capital expenditure and no exploration and mining activity carried out in the mine.

II. New business relating to clean energy

The Group will actively seek for new breakthrough on the basis of maintaining the existing mines. It will invest in construction of wind power projects by taking full advantages of particular geographic location of its mines and availability of resources such as wind energy to achieve new progress in the development of clean energy business.

In 2016, the Group conducted a feasibility study in respect of the policy from the central government that qualified private enterprises are encouraged to engage in the wind energy and photovoltaic electricity business. The Group actively responded to the government's call to seize the opportunities arising from national policies by developing clean energy such as wind power, photovoltaic power and solar thermal power as new sources of economic growth. In September 2016, Shandong Ishine completed the acquisition of Yishui Shengrong. Yishui Shengrong owns a 49,900-kilowatt wind power project located in Eshan, Yangzhuang Township, Yishui County, Linyi City, Shandong, which won a place in the 2016 Project Arrangement for Wind Power Development and Construction in Shandong (山東省2016年風電開發建設項目安排情況) issued by Shandong Development and Reform Commission on 17 May 2016.

The acquisition actively helped the Group to tap into the wind power business and will broaden the revenue stream and bring return to shareholders.

In 2016, the Group invested approximately RMB0.8 million in the wind power project of Yishui Shengrong.

III. Business relating to capital markets and others

1. Capitalising on the platform of re-financing, the Company will continue to expand shareholder base, thus enhancing the liquidity of its shares. Potential merger and acquisition projects, if any, or extension of the titanium industry chain may be financed.

   In 2016, the Group placed its shares by exploiting the platform of re-financing and received proceeds of approximately RMB27.4 million.

2. The Group closely follows the industrial encouragement policy of the central government. Capitalising on its domestic resources and advantages, the Group plans to engage in the financial leasing business and the fund investment and financing business in due course and will strive to make new businesses the new sources of economic growth for the listed group.

   In 2016, the Company engaged in financial leasing business through a financial leasing company established in Tianjin.

IV. Technological innovation and other business

Based on innovation of existing technology, the Group adheres and commits to technological innovation.

1. In 2016, the approved establishment of Shandong Academician Workstation will become the basis of closer industry-university-research cooperation for joint research on new techniques relating to hydrometallurgy processing of ilmenite and associated elements with furnace method.

   In 2016, research on new techniques had been progressing in an orderly manner.

2. The Group will actively expand the research support from the Institute of Process Engineering of the Chinese Academy of Sciences in order to complete the development and innovation of hydrometallurgy processing of 76%-or-above titanium concentrate as soon as possible on the basis of the periodic significant technological results.

   In 2016, the Group has cooperated with the Institute of Process Engineering of the Chinese Academy of Sciences in respect of the research and development in new processing techniques of Zhuge Shangyu Ilmenite Mine of the Group. On the basis of periodic achievements obtained through several experiments, the research and development and innovation of hydrometallurgy processing of titanium concentrate had been progressing in an orderly manner.

3. The Group will actively advance the cooperation with the Siberian Division of the Russian Academy of Science in relation to introduction of a new technique to efficiently extract titanium from ilmenite mines.

   On 14 July 2015, Shandong Ishine entered into the formal cooperation agreement with Siberian Branch of the Russian Academy of Sciences in relation to "Introduction of a New Processing Technology for Efficient Extraction of Titanium from Ilmenite", pursuant to which the two parties shall carry out in-depth cooperation in the introduction of a new processing technology for efficient extraction of titanium from ilmenite. The new processing technology for efficient extraction of titanium introduced pursuant to the cooperation agreement was in international leading position. The new processing technology, along with the rich titanium resources of the Group, shall significantly improve the value of the titanium ores of the Group and help solve the technical bottleneck of the Group for efficient use of lean-titanium ilmenite resources. In 2016, the cooperation of the both parties had been progressing in an orderly manner.

V. Fuel oil business

In 2016, the Group will analyse the market thoroughly with reference to the market conditions of fuel oil, to determine whether to engage in import and sales of fuel oil, in order to increase new profit for the Group.

In 2016, due to market conditions, there was no import and sale of fuel oil.

VI. Maintenance of green mines

The Group will focus on greening of the mining area and ecological environment restoration of mines. It will strive to strike a balance between resources development and environmental protection, thereby ensuring a high greening rate in mining area and maintaining a pleasant ecological environment. The Group will aim at meeting the basic standards of scientific mining, highly efficient resources utilisation, standardised management, environmentally friendly production techniques and ecological mining environment, so as to achieve unified coordination between resource, environment and social benefits in mining development. It will strive to establish green mining practices, harmonious community and circular economy. By comprehensively improving resources utilisation rate and technology innovation, conserving energy and reducing emissions, protecting ecological environment and establishing corporate culture, the Group will continue to maintain sustainable national green mines with proper structure, sound management and function systems, and significant social, economic and environment benefits.

VII. Harmonious community development

The Group sets its target on establishing a good enterprise-local cooperation relationship and seeking a win-win cooperation model, which will enable the enterprise development to drive the local social and economic development, thereby creating a harmonious and stable mining environment. The Group will insist on its philosophy to place equal emphasis on profit and morality, and strive to contribute to society. It is driven by a strong sense of social responsibility to support charitable and social causes, which helps establish its excellent corporate image.

VIII. Culture building of mining company

The Group will enhance the internal promotion of green mining. It will practise green mining throughout the daily operation of the mines and incorporate its corporate culture in daily management. It will educate its employees on the culture of the Group so that the idea will integrate into their practices without them knowing. The Group will offer a wide range of activities to enhance staff quality and in turn improve the core competitiveness of the Company.

It will establish a comprehensive skills training system and organize regular trainings with the aim to enhance the professional skills of staff. The Company sees occupational skills training as the driving force of corporate development. Meanwhile, it will enhance the people-oriented staff management by focusing on improving the staff quality as well as work efficiency and quality.

IX. Ecological restoration

The Group will make further effort on ecological protection and restoration in order to achieve timely restoration and lessen the ecological damage caused by the construction and operation as much as possible. The Group will implement it as a measure of “new techniques directing the old techniques”. The Group will complete the project construction, operating ecological protection, restoration and rebuilding for eradicating the negative ecological impacts brought by the mining of mines.

X. Safety in production of mines

The Group will facilitate the safety education for workers continuously, enhance the general quality of workers, and maintain various systems of monitoring, inspection, positioning, underground dual-circuit communication and underground voice alarm for the purpose of real-time monitoring the whole production process and guarantee the safety in production of mines.

In conclusion, the Group adjusted its work plan in a timely manner in response to market changes in 2016. The Group continued to deepen and expand the iron and titanium concentrates business and actively explored clean energy business. It further strengthened its work in relation to comprehensive utilisation of resources, recycling economy and green mines, thereby laying a solid foundation for rapid growth of the Group in the future.

RESOURCES AND RESERVES OF MINES

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

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

Yangzhuang Iron Mine

1. Resource reporting cutoff grade: 15% TFe.

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

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

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

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

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

7. Parameters for Short Hole Shrinkage mining method:

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

Reason for the changes in the resources and reserves estimates:

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

Zhuge Shangyu Ilmenite Mine

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

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

3. Mineral resources are inclusive of the ore reserve.

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

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

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

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

Reason for the changes in the resources and reserves estimates:

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

Qinjiazhuang Ilmenite Project

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

There was no exploration or mining activity carried out in Qinjiazhuang Ilmenite Project from 1 January 2014 to 31 December 2016.

Management Discussion and Analysis

Based on (1) the resources and reserves under the JORC for the Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine and Qinjiazhuang Ilmenite Project as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012; and (2) the estimated amount of ores mined by the Group from November 2011 to December 2013, the Group's estimated resources and reserves as at 31 December 2016 were as follows:

JORC ore reserve estimate as of 31 December 2016: ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2016)***

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiazhuang Ilmenite Project
Ore reserves (Mt)			
– proved	5.86	199.60	45.33
– probable	31.20	346.20 *(Note)*	41.30
Total ore reserves	37.06	545.80	86.63
Grade of total iron (TFe) (%)			
– proved	24.15	12.78	13.50
– probable	24.65	12.83	13.61
Average grade of total iron (TFe) (%)	24.55	12.82	13.56
Grade of titanium dioxide (TiO_2) (%)			
– proved	N/A	5.76	4.52
– probable	N/A	5.65	4.48
Average grade of total titanium dioxide (TiO_2) (%)	N/A	5.69	4.50

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

JORC ore reserve estimate as of 31 December 2015: ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2015)***

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiazhuang Ilmenite Project
Ore reserves (Mt)			
– proved	5.86	199.60	45.33
– probable	31.20	346.20 *(Note)*	41.30
Total ore reserves	37.06	545.80	86.63

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

Yangzhuang Iron Mine resources estimate as of 31 December 2016: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2016)***

Resources Category	**Resources** *(Mt)*	**SG** *(t/m^3)*	**TFe** *(%)*	**mFe** *(%)*
Measured	11.3	3.25	26.0	10.6
Indicated	50.1	3.25	26.8	10.4
Total Measured and Indicated	61.4	3.25	26.6	10.4
Inferred	17.6	3.22	24.6	8.7
Total Resources	79.0	3.24	26.2	10.0

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

Zhuge Shangyu Ilmenite Mine resources estimate as of 31 December 2016: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2016)***

Resources Category	**Resources** *(Mt)*	**SG** *(t/m^3)*	**TiO_2** *(%)*	**TFe** *(%)*
Measured	372.8	3.19	6.23	14.04
Indicated	261.0	3.13	6.14	14.18
Total Measured and Indicated	632.8	3.17	6.19	14.10
Inferred	4.0	3.13	5.92	15.03
Total Resources	636.8	3.16	6.19	14.10

Qinjiazhuang Ilmenite Project resources estimate as of 31 December 2016: ***(Note: JORC mineral resources as of 31 December 2013, there was no mining activity or exploration activity carried out from 1 January 2014 to 31 December 2016)***

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

Management Discussion and Analysis

Luxing Titanium Mine

Luxing Titanium Mine is located in Yishui County, Shandong Province, the PRC. Luxing Titanium holds a mining licence in respect of the Luxing Titanium Mine issued by the Land and Resources Department of Shandong Province (山東省國土資源廳). Luxing Titanium Mine has a mining license which covers a mining area of 0.829 km^2. According to a resources and reserves verification report in respect of the mine, it was estimated that 0.557 km^2 of the mining area had approximately 46.4 Mt of resources and reserves of Type 333 or above of ilmenite ores as at 31 December 2009 under PRC classification standard with an average grading of iron and titanium contents of approximately 14.6% and 6.6% respectively. As at 31 December 2013, we engaged 8th Institute of Geology and Mineral Exploration of Shandong Province to complete an updated verification report and it was estimated that 0.829 km^2 of the mining area had approximately 57.2 Mt of resources and reserves of Type 333 or above of ilmenite ores with an average grading of iron and titanium contents of approximately 14.5% and 6.6% respectively.

Reasons for the changes in the resources and reserves estimates:

1. The mining area is increased from 0.557 km^2 to 0.829 km^2, and the mining depth is changed from + 254.7 meters + 150 meters to + 255 meters + 68 meters, which lead to an increase in the reserves by approximately 12.8 Mt.

2. The resource estimation of 4-wire sectional S4-2a area is increased from 3,723.46 m^2 to 10,396.22 m^2, which leads to an increase in the reserves by approximately 2.17 Mt.

3. During the years from 2010 to 2013, reserves is reduced by approximately 4.13 Mt due to mining activities.

The mining licence permits a production scale of 1.5 Mt ores per annum by way of open-pit mining. The term of this permit is 9 years commencing from December 2012 to December 2021.

Resources and reserves estimate as of 31 December 2016: ***(Note: Resources and reserves estimate from an updated verification report completed by the 8th Institute of Geology and Mineral Exploration of Shandong Province as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2016)***

Resources and Reserves Category	**Luxing Titanium Mine**
Resources and reserves of Type 333 or above of ilmenite ores (Mt) (under PRC classification standard)	56.9
Average grade of total iron (TFe) (%)	14.5
Average grade of total titanium dioxide (TiO_2) (%)	6.6

Resources and reserves estimate as of 31 December 2015: ***(Note: Resources and reserves estimate from an updated verification report completed by the 8th Institute of Geology and Mineral Exploration of Shandong Province as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2015)***

Resources and Reserves Category	**Luxing Titanium Mine**
Resources and reserves of Type 333 or above of ilmenite ores (Mt) (under PRC classification standard)	56.9
Average grade of total iron (TFe) (%)	14.5
Average grade of total titanium dioxide (TiO_2) (%)	6.6

Gaozhuang Shangyu Ilmenite Project

Gaozhuang Shangyu Ilmenite Project is located in Yishui County and Yinan County of Shandong Province, the PRC. Shandong Ishine has engaged an independent third party surveying agency to conduct preliminary exploration work in the Gaozhuang Shangyu Ilmenite Project and the work was completed in 2012. It has exploration rights over area of approximately 1.53 km^2, with the exploration term expiring in March 2019. According to Titanium Mine Detailed Survey Report in respect of the project, it was estimated that the exploration area had approximately 46.0 Mt of resources of Type 332 and 333 of ilmenite ores as at 2 September 2012 under PRC classification standard with an average grading of iron and titanium contents of approximately 12.4% and 6.8%. As there is no change in resources and reserves from October 2012 to December 2016, the Group did not have any plan to carry out mining work or other expansion plan.

EXPLORATION LICENCES IN AUSTRALIA

As at 31 December 2016, Ishine International owns 1 granted exploration licences located in Western Australia, Australia.

Mt Watson has been under the process of drilling during the year of 2013. The Mt Watson Project (the "Project") is a joint venture between Ishine International (70%) and Kabiri Resources Pty Ltd ("Kabiri Resources") (30%). The Project is situated approximately 120 km north of Mt Isa in north-west Queensland and comprises two tenements (EPM15933 and EPM15986) covering an area of 103.6 km^2. Seven diamond drillholes (totalling 921.80 m) were drilled on tenement EPM15986 on previously identified versatile time domain electromagnetic survey ("VTEM") anomalies 5 km to the south-west and along strike of the Mt Watson copper mine. The detailed drillhole coordinates, drilling orientation and drillhole locations are disclosed in the announcement dated 21 March 2014 on Australian Securities Exchange ("ASX"). For details of the Project, please refer to the announcement of Ishine International dated 21 March 2014 published on the website of the ASX.

Ishine international had not carried out other exploration activity in Australia during 2016.

The tenement expenditure was RMB0.3 million (approximately AUD0.06 million) and the capitalised tenement acquisition cost for Mt Watson was RMB3.3 million (approximately AUD0.6 million).

The following tables are summaries of Ishine International's tenements in Australia:

Western Australian Tenements

Tenement	Registered holder/ applicant	Grant date	Expiry Date	Area size and locality	Current status	Status of renewal of tenement (if expiring within 1 year)	Target minerals
E39/1582	Ishine International	27-Apr-12	26-Apr-17	6 Blocks Laverton, 18 km^2	Active	N/A	Nickel, Gold

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES AND COSTS

The table below sets out a summary of the total operating costs of the Group:

	Year ended 31 December	
	2016	2015
	Kt	*Kt*
Production Volume		
Feed tonnage	–	442

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Mining Costs		
Workforce employment	–	11,639
Transportation	–	3,889
Fuel, electricity, water and other services	–	1,540
Non-income taxes, royalties and other governmental charges	–	2,042
Subtotal	–	19,110
Processing Costs		
Workforce employment	**317**	1,630
Consumables	**598**	1,129
Fuel, electricity, water and other services	**2,159**	6,909
Administration	**85**	2,631
Transportation	**177**	606
Non-income taxes, royalties and other governmental charges	–	8
Subtotal	**3,336**	12,913
Total Mining and Processing Costs	**3,336**	32,023
Management Expenses		
Environmental protection and monitoring	**3,195**	5,397
Other administration cost	**33,210**	43,230
Product marketing and transportation	**1,034**	1,650
Non-income taxes, royalties and other governmental charges	**203**	256
Subtotal	**37,642**	50,533
Total Operating Expenses	**40,978**	82,556
Other Costs		
Depreciation and Amortisation	**20,029**	28,093
Total Production Costs	**61,007**	110,649

CONTRACTS AND COMMITMENTS

The Group has signed 16 new contracts with a total amount of approximately RMB8.0 million during 2016. The details are summarised as below:

Yangzhuang Iron Mine

Type of contracts		Number of contracts signed	Total amount
			RMB million
(i)	Equipment suppliers	3	0.1
(ii)	Technical service	3	0.4
(iii)	Construction	1	0.5
Total		7	1.0

Zhuge Shangyu Ilmenite Mine

Type of contracts		Number of contracts signed	Total amount
			RMB million
(i)	Equipment suppliers	2	6.1
(ii)	Construction	2	0.1
Total		4	6.2

Yishui Shengrong

Type of contracts		Number of contracts signed	Total amount
			RMB million
(i)	Equipment suppliers	1	0.2
(ii)	Technical service	4	0.6
Total		5	0.8

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 31 December 2016, the Group recorded revenue of approximately RMB58.2 million as compared with approximately RMB294.5 million for the year ended 31 December 2015, representing a decrease of approximately 80.2%. For the year ended 31 December 2016, approximately 76.2% of total sales were derived from trading of coarse iron powder, while the remaining approximately 17.8% of the Group's total sales consisted of the sales of iron concentrates and titanium concentrates produced by the Group's processing plants. The Group mainly sold iron concentrates and titanium concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron and titanium concentrates, the Group sold coarse iron powder to other customers engaged in trading and manufacturing of iron-related products in the PRC.

PRICES OF THE GROUP'S PRODUCTS

Iron Concentrates

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

The Group's average unit selling price of 65% iron concentrates for the year ended 31 December 2016 was approximately RMB451.5 per tonne, representing a decrease of approximately 5.8% as compared with the average unit selling price of approximately RMB479.3 per tonne respectively for the year ended 31 December 2015. Such decrease was mainly due to the continuous slowdown of China's economy for the year ended 31 December 2016.

Titanium Concentrates

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

The Group's average unit selling price of 46% ilmenite concentrates for the year ended 31 December 2016 was approximately RMB 619.1 per tonne.

Revenue

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

	Year ended 31 December 2016 *RMB'000*		Year ended 31 December 2015 *RMB'000*	
Revenue				
Sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**3,591**	**6.2%**	48,164	16.4%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	–	–	1,213	0.4%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	–	–	4,168	1.4%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	–	–	51,955	17.6%
	3,591	**6.2%**	105,500	35.8%
Sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**6,180**	**10.6%**	9	0.0%
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	**601**	**1.0%**	–	–
	6,781	**11.6%**	9	0.0%
Sales from trading activities				
– from coarse iron powder	**44,386**	**76.2%**	183,692	62.4%
Income from Ever Grand	**3,122**	**5.4%**	2,157	0.7%
Others	**368**	**0.6%**	3,123	1.1%
	58,248	**100%**	294,481	100%

Management Discussion and Analysis

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

	Year ended 31 December 2016 ***(Kt)***	Year ended 31 December 2015 *(Kt)*
Sales volume of iron concentrates produced by the Group		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**8.0**	98.5
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**–**	2.3
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**–**	10.1
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**–**	110.4
	8.0	221.3
Sales volume of titanium concentrates produced by the Group		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**9.9**	0.01
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	**1.0**	–
	10.9	0.0
Sales volume of trading activities		
– from coarse iron powder	**114.9**	417.0
	133.8	638.3

The following table shows the Group's total production volumes of iron concentrates by types of materials used, and the Group did not produce any titanium concentrates for the years ended 31 December 2016 and 2015.

	Year ended 31 December 2016		Year ended 31 December 2015	
	(Kt)	***(approximately)***	*(Kt)*	*(approximately)*
Iron concentrates produced by the Group				
Amount of iron concentrates produced from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**11.4**	**100.0%**	22.9	16.2%
Amount of mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	–	–	118.5	83.8%
	11.4	**100.0%**	141.4	100%

During 2016, the Group has strategically reduced the sales and production of iron concentrates and titanium concentrates during the downturn of the steel market, in order to protect the resources of the Group. For the year ended 31 December 2016, revenue is mainly derived from sales of coarse iron powder to the Group's trading customers. Revenue is also derived from sales of iron concentrates and titanium concentrates produced by the Group.

The Group's revenue decreased by approximately RMB236.3 million, or approximately 80.2%, to approximately RMB58.2 million for the year ended 31 December 2016, as compared with approximately RMB294.5 million for the year ended 31 December 2015. The decrease in revenue was primarily due to (1) the decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine by approximately RMB44.6 million; (2) the decrease in sales of mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately RMB52.0 million; (3) the decrease in sales of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine and ilmenite ore of Luxing Titanium Mine by approximately RMB1.2 million and RMB4.2 million respectively for the year ended 31 December 2016; and (4) the decrease in turnover by approximately RMB139.3 million from trading of coarse iron powder.

The decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine was mainly due to the fact that the management strategically decreased the production volume and sales volume during the downturn of the steel market.

Sales derived from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder dropped by 100.0% from approximately RMB52.0 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016 mainly as a result of the slowdown of China's economy, the decline in demand from steel makers in Shandong Province and the strategic decision of the management to decrease production volume and sales volume of the mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder.

The demand in iron and steel market become sluggish as the economy in China slowdown. The management has decided to decrease the trading activities for the year ended 31 December 2016. The total sales generated from trading activities significantly decreased by approximately 75.8%, which was mainly due to the decrease of trading turnover of coarse iron powder from approximately RMB183.7 million for the year ended 31 December 2015 to approximately RMB44.4 million for the year ended 31 December 2016.

Cost of Sales

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

	Year ended 31 December 2016		Year ended 31 December 2015	
	RMB'000		*RMB'000*	
Cost of Sales				
Cost of sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**3,386**	**6.0%**	51,464	15.6%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	–	–	1,287	0.4%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	–	–	4,515	1.4%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	–	–	64,106	19.5%
	3,386	**6.0%**	121,372	36.9%
Cost of sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**6,823**	**12.2%**	8	0.0%
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	**737**	**1.3%**	–	–
	7,560	**13.5%**	8	0.0%
Cost of sales of trading activities				
– from coarse iron powder	**44,870**	**79.8%**	205,115	62.3%
Costs from Ever Grand	**103**	**0.2%**	97	0.0%
Others	**288**	**0.5%**	2,632	0.8%
	56,207	**100%**	329,224	100%

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

Total cost of sales decreased by approximately RMB273.0 million, or approximately 82.9%, to approximately RMB56.2 million for the year ended 31 December 2016, as compared with approximately 329.2 million for the year ended 31 December 2015. Such decrease was consistent with the decrease in the Group's revenue during the year ended 31 December 2016, which was mainly due to (1) the decrease in sales volume from trading coarse iron powder by approximately 302.1 Kt for the year ended 31 December 2016; (2) the decrease in the sales volume of iron concentrates produced from iron ore of Yangzhuang Iron Mine, ilmenite ore of Zhuge Shangyu Ilmenite Mine and ilmenite ore of Luxing Titanium Mine by approximately 102.9 Kt for the year ended 31 December 2016; and (3) the decrease in sales volume of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately 110.4Kt for the year ended 31 December 2016.

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

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

	Year ended 31 December 2016		Year ended 31 December 2015	
	RMB'000		*RMB'000*	
Gross profit/(loss)				
Gross profit/(loss) of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**205**	**10.0%**	(3,300)	9.5%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	–	–	(74)	0.2%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	–	–	(347)	1.0%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	–	–	(12,151)	35.0%
	205	**10.0%**	(15,872)	45.7%
Gross (loss)/profit of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**(643)**	**(31.5%)**	1	0.0%
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	**(136)**	**(6.6%)**	–	–
	(779)	**(38.1%)**	1	0.0%

	Year ended 31 December 2016 RMB'000		Year ended 31 December 2015 RMB'000	
Gross loss of trading activities				
– from coarse iron powder	**(484)**	**(23.7%)**	(21,423)	61.7%
Gross profit from Ever Grand	**3,019**	**147.9%**	2,060	6.0%
Others	**80**	**3.9%**	491	1.4%
	2,041	**100%**	(34,743)	100%

	Year ended 31 December 2016	Year ended 31 December 2015
Gross profit/(loss) margin		
Gross profit/(loss) margin of iron concentrates		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**5.7%**	(6.9)%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	–	(6.1)%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	–	(8.3)%
– from mixing iron concentrates purchase from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	–	(23.4)%
Gross (loss)/profit margin of titanium concentrates		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**(10.4%)**	11.1%
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	**(22.6%)**	–
Gross loss margin of trading activities of coarse iron powder	**(1.1%)**	(11.7)%
Gross profit margin from Ever Grand	**96.7%**	95.5%
Others	**21.7%**	15.7%
Overall gross profit/(loss) margin	**3.5%**	(11.8)%

Gross profit increased by approximately RMB36.7 million from the gross loss of approximately RMB34.7 million for the year ended 31 December 2015 to the gross profit of approximately RMB2.0 million for the year ended 31 December 2016. The main reasons for the increase were (1) the increase in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB3.5 million from the gross loss of approximately RMB3.3 million for the year ended 31 December 2015 to the gross profit of approximately RMB0.2 million for the year ended 31 December 2016; (2) the decrease in gross loss of trading of coarse iron powder by approximately RMB20.9 million from the gross loss of approximately RMB21.4 million for the year ended 31 December 2015 to the gross loss of approximately RMB0.5 million for the year ended 31 December 2016; and (3) the decrease in gross loss of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from the coarse iron powder by approximately RMB12.2 million from the gross loss of approximately RMB12.2 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016.

Overall gross profit margin increased from gross loss margin of 11.8% for the year ended 31 December 2015 to gross profit margin of 3.5% for the year ended 31 December 2016. The increase in overall gross profit margin was primarily due to the gradually pickup of the domestic economic growth rate and the impact of the real estate control policy in PRC. In the second half of 2016, the domestic steel industry market has gradually recovered and the price of the iron concentrates has begun to rise.

Other gains/(losses), net

The Group's other gains were approximately RMB1.7 million for the year ended 31 December 2016 as compared with other losses of approximately RMB12.4 million for the year ended 31 December 2015, which was mainly due to the decrease in the loss from issuance of unlisted warrants from approximately RMB13.5 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016. On 1 June 2015, 140,000,000 unlisted warrants were issued at par value of RMB0.0016 each and the exercise price was RMB0.319.

Finance expenses, net

Net finance expenses mainly represented interest expense on bank loans, bonds, and discount of bank acceptance notes of the Group, offset by interest income on bank deposits. Finance expenses increased from approximately RMB21.6 million for the year ended 31 December 2015 to approximately RMB24.5 million for the year ended 31 December 2016.

Total comprehensive loss

The total comprehensive loss attributable to owners of the Company was approximately RMB116.9 million for the year ended 31 December 2016, representing a decrease of approximately RMB144.5 million or approximately 55.3% as compared to that of approximately RMB261.4 million for the year ended 31 December 2015. This was mainly due to (1) the gross profit increased by approximately RMB36.7 million from the gross loss of approximately RMB34.7 million for the year ended 31 December 2015 to the gross profit of approximately RMB2.0 million for the year ended 31 December 2016. The main reasons for the increase were (i) the decrease in gross loss of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from the coarse iron powder by approximately RMB12.2 million from the gross loss of approximately RMB12.2 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016; (ii) the increase in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB3.5 million from the gross loss of approximately RMB3.3 million for the year ended 31 December 2015 to the gross profit of approximately RMB0.2 million for the year ended 31 December

2016; and (iii) the decrease in gross loss of trading of coarse iron powder by approximately RMB20.9 million from the gross loss of approximately RMB21.4 million for the year ended 31 December 2015 to the gross loss of approximately RMB0.5 million for the year ended 31 December 2016; (2) the decrease in the loss from issuance of unlisted warrants from approximately RMB13.5 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016. On 1 June 2015, 140,000,000 unlisted warrants were issued at par value of RMB0.0016 each and the exercise price was RMB0.319; and (3) the decrease in the impairment loss of assets by approximately RMB105.8 million from approximately RMB136.6 million for the year ended 31 December 2015 to approximately RMB30.8 million for the year ended 31 December 2016.

Ishine International

Ishine International, the Company's non-wholly owned subsidiary, is principally engaged in the business of the exploration of mineral resources in Australia, and its shares are listed on the ASX. The principal activity in 2016 was exploration activities. Net loss incurred by Ishine International for the year ended 31 December 2016 was approximately RMB0.7 million as compared to net loss of approximately RMB1.9 million for the year ended 31 December 2015.

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2016 is HK$9,232,759.84 divided into 4,616,379,920 shares with par value of HK$0.002 each.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings divided by the aggregate amount of total equity and total borrowings) as at 31 December 2016 was approximately 28.5% (as at 31 December 2015: approximately 30.2%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2016 was approximately 2.5 times (as at 31 December 2015: approximately 1.9 times).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the total amount of the borrowings of the Group was approximately RMB211.4 million (as at 31 December 2015: approximately RMB270.8 million). The Group settled borrowings in the amount of approximately RMB170.0 million for the year ended 31 December 2016. The Group's cash and bank balances amounted to approximately RMB120.4 million as at 31 December 2016 (as at 31 December 2015: approximately RMB98.1 million).

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisition, disposal or investment by the Group during the year ended 31 December 2016.

FUND RAISING ACTIVITIES AND ISSUANCE OF SHARES

On 1 August 2016, the Company entered into a placing agreement with Chaoshang Securities Limited (the "Placing Agent") in relation to the placing of placing shares. Pursuant to the placing agreement, the Company has conditionally agreed to place up to 600,000,000 placing shares at the placing price of RMB0.0944 (equal to HKD0.11) per placing share. The placing was completed on 24 August 2016, an aggregate of 121,800,000 placing shares have been placed to six placees who are independent third parties, at the placing price. The net proceeds from the placing was approximately HKD12,700,000, and intended to be used for general working capital of the Group and for funding investment opportunities as may be identified from time to time, and no part of the said proceeds have been utilized as at the date of this annual report.

On 31 August 2016, the Company entered into another placing agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place up to 400,000,000 placing shares at the placing price of RMB0.107 (equal to HKD0.124) per placing share. The placing was completed on 21 September 2016, an aggregate of 97,250,000 placing shares have been placed to not less than six places who are independent third parties, at the placing price. The net proceeds from the placing was approximately HKD11,500,000, and intended to be used for general working capital of the Group and for funding investment opportunities as may be identified from time to time, and no part of the said proceeds have been utilized as at the date of this annual report.

For further details of the above share placements, please refer to the announcements of the Company dated 24 August 2016 and 21 September 2016.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGING

Shandong Ishine, Luxing Titanium and Ever Grand, operating in the PRC, and Ishine International, operating in Australia, are four major subsidiaries of the Company. Almost all of the transactions of Shandong Ishine, Luxing Titanium and Ever Grand are denominated and settled in their functional currency RMB, while those for Ishine international are denominated and settled in its functional currency AUD.

Although the Group may be exposed to foreign exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. There is no hedging by means of derivative instruments by the Group.

PLEDGE OF GROUP ASSETS

As at 31 December 2016, bank borrowings of RMB100.0 million were secured by a mining right of Shandong Ishine, in Shandong Province, the PRC.

EXPLORATION COMMITMENTS AND CAPITAL COMMITMENTS

Ishine International has obligations under its exploration licence to spend a minimum amount of exploration expenditures on projects. The obligations may vary from time to time subject to the approval from the relevant government authorities. Due to the nature of Ishine International's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditures may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or any new joint venture agreements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. The total tenement commitment for Ishine International as at 31 December 2016 was approximately RMB0.2 million (equivalent to approximately AUD 0.03 million) compared to approximately RMB2.4 million as at 31 December 2015 (equivalent to approximately AUD0.5 million).

As at 31 December 2016, Shandong Ishine has capital commitments of approximately RMB5.7 million (as at 31 December 2015: RMB5.8 million) for property, plant and equipment. These commitments have been made during the year ended 31 December 2016 but have not been paid.

Management Discussion and Analysis

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 31 December 2016, the Group had a total of 165 employees (as at 31 December 2015: 212 employees). The employees of the Group were remunerated based on their experiences, qualifications, the Group's performance and the market conditions. During the year ended 31 December 2016, staff costs (including Directors' remunerations) amounted to approximately RMB8.2 million (2015: approximately RMB14.2 million).

CONTINGENT LIABILITIES

As at 31 December 2016, the Group has no material contingent liabilities.

2017 DEVELOPMENT AND FUTURE PLANS

By closely following market changes, the Group will stick to the development of titanium business, adjust titanium and iron concentrates production in a timely manner and further expand new energy business so as to protect the interests of shareholders and investors.

I. Continuing sparing no efforts to develop titanium business

The Group will continue to make great efforts in planning and implementation of a comprehensive industrial chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Apart from the above-mentioned internal research and development of production, the Group will continue to enhance the research and development cooperation with Chinese Academy of Sciences and the technology transfer cooperation with the Russian Academy of Sciences, make timely investment in response to market demands and strive to transform above-mentioned technical advantage into productivity, with an aim to improve the profitability of the Company.

II. Further expanding into new business relating to clean energy

Riding on the breakthrough made in respect of new energy projects in 2016, the Group will integrate external resource to deepen cooperation and achieve results in respect of the development of renewable resources, such as wind power, solar energy and solar thermal power so as to seek for a breakthrough in profit increase.

III. Advancing soil pollution treatment business by way of promptly putting microbial technology into practical use

In order to solve soil pollution problems, the Ministry of Environmental Protection of the PRC has drafted and implemented the "Soil Pollution Treatment Action Plan". By transforming and making use of the technique of efficient and high quality microbial fertilizer mastered by it, the Company will endeavor to made investment or carry out cooperation in a timely manner on production of efficient and organic microbial fertilizer pursuant to market demands so as to participate in solving the problems of soil compaction, pesticide and fertilizer residue and heavy metals contamination currently facing by China, capitalizing on which the Company will be able to increase new profit and improve profitability.

IV. Titanium concentrates and iron concentrates production and operation

1. Yangzhuang Iron Mine

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

The Group will decide whether to mine and process its own mines based on the market conditions. It will analyse operating risks and judge the timing for trading, and based on profitability to decide on whether to process with part of coarse powders purchased from other suppliers.

2. Zhuge Shangyu Ilmenite Mine

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

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

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

3. Qinjiazhuang Ilmenite Mine

In 2017, the Group will determine whether it will make investment in or conduct production activities at Qinjiazhuang Ilmenite based on market changes.

4. Luxing Titanium

Luxing Titanium currently possesses a mining permit with an annual mining production scale of 1.5 Mt.

The Group has set its basic business objectives as protecting resources against resource sell-off and for the interest of shareholders based on the market conditions in 2017. The Group will decide to mine and process its own mines based on profitability.

V. Business relating to capital markets and others

Capitalising on the platform of re-financing, the Company will continue to expand shareholder base, thus enhancing the liquidity of its shares. Potential construction projects, merger and acquisition projects, or extension of the titanium industry chain may be financed.

VI. Maintenance of green mines

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

In 2017, by closely following market changes, the Group will stick to the development of titanium business, adjust titanium and iron concentrates production in a timely manner and further expand new energy business and promote the transforming and making use of the technique of efficient and high quality microbial fertilizer. The Group will make targeted adjustment to its working plan, strive to maintain green mines and actively seek for new sources of economic growth, with a view to reward the investors with better results.

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. In the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in the CG Code throughout the year ended 31 December 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated with the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

Corporate Governance Report

The Board currently consists of seven Directors including three executive Directors, one non-executive Director and three independent non-executive Directors:

Executive Directors

Mr. Li Yunde *(Chairman)*
Mr. Geng Guohua *(Chief Executive Officer)*
Mr. Lang Weiguo

Non-executive Director

Ms. Chau Ching

Independent non-executive Directors

Mr. Li Xiaoyang
Mr. Lin Chu Chang
Mr. Zhang Jingsheng

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 86 to 88 under the section headed "Biographical Details of Directors and Senior Management".

Board Meetings

Regular Board meetings are held four times a year at approximately quarterly interval and additional meetings will be held as and when required. The four regular Board meetings for a year are planned in advance. During the regular meetings of the Board for the year, the Board reviewed the operation and financial performance of the Group, and also reviewed and approved the interim results of the Company.

During the year ended 31 December 2016, the Board held 4 meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were also given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	**Number of attendance**
Mr. Li Yunde	4/4
Mr. Geng Guohua	4/4
Mr. Lang Weiguo	4/4
Ms. Chau Ching	4/4
Mr. Li Xiaoyang	4/4
Mr. Lin Chu Chang	3/4
Mr. Zhang Jingsheng	4/4

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials, and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

General Meetings

During the year ended 31 December 2016, one annual general meeting was held on 23 May 2016 (the "2016 AGM") and one extraordinary general meeting of the Company was held on 15 July 2016.

The attendance record of the Directors at the general meetings were as follows:

Name of Director	Number of attendance
Mr. Li Yunde	2/2
Mr. Geng Guohua	2/2
Mr. Lang Weiguo	2/2
Ms. Chau Ching	2/2
Mr. Li Xiaoyang	2/2
Mr. Lin Chu Chang	1/2
Mr. Zhang Jingsheng	1/2

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. Mr. Li, the Chairman of the Company and the chairman of the nomination committee of the Company ("the Nomination Committee") and Mr. Lin Chu Chang, the chairman of the audit committee of the Company (the "Audit Committee") and the remuneration committee of the Company (the "Remuneration Committee") attended the 2016 AGM to answer questions and collect views of shareholders.

Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in training relating to the Listing Rules and corporate governance matters or attending seminars relating to their role as a director of listed issuer. Each of the Directors has provided a record of training they received for the year ended 31 December 2016 to the Company.

CHAIRMAN AND CHIEF EXECUTIVE

The two positions are held separately by two individuals to ensure their respective independence, accountability and responsibility. The Chairman, being Mr. Li Yunde, is responsible for the management of the Board by providing leadership for the Board and has taken primary responsibility for ensuring that good corporate governance practices and procedures are established and that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole; and the Chief Executive Officer, being Mr. Geng Guohua, is responsible for the day-to-day management of business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of economics, science or mining industry. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules.

All independent non-executive Directors have been appointed for a term of two years commencing from 27 April 2016.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 9 April 2012 with written terms of reference and was revised on 28 August 2013, which was aligned with the CG Code. The terms of reference of the Nomination Committee is currently made available on the Stock Exchange's website and the Company's website.

The Nomination Committee consists of one executive Director, namely Mr. Li Yunde (as chairman), and two independent non-executive Directors, namely Mr. Li Xiaoyang and Mr. Zhang Jingsheng.

The functions of the Nomination Committee are to review and monitor the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Group's strategy; to identifying qualified individuals to become members of the Board; to assess the independence of independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive officer.

The Board adopted on 28 August 2013 a board diversity policy (the "Board Diversity Policy") and delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Board recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will discuss and review the measurable objectives for implementing the Board Diversity Policy from time to time to ensure the appropriateness and the progress made towards achieving those objectives will be ascertained.

During the year ended 31 December 2016, the Nomination Committee held one meeting. The Nomination Committee reviewed the Board composition, assessed the independence of the independent non-executive Directors and made recommendation on the re-election of Directors.

The members and attendance of the Nomination Committee meeting are as follows:

Name of Director	Number of attendance
Mr. Li Yunde *(chairman)*	1/1
Mr. Li Xiaoyang	1/1
Mr. Zhang Jingsheng	1/1

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 9 April 2012 with written terms of reference, which was aligned with the CG Code. The terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

The Remuneration Committee consists of one executive Director, namely Mr. Li Yunde, and two independent non-executive Directors, namely Mr. Lin Chu Chang (as chairman) and Mr. Zhang Jingsheng

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The model of making recommendations to the Board on remuneration packages of individual executive Directors and the members of senior management is adopted.

During the year ended 31 December 2016, the Remuneration Committee held one meeting. The Remuneration Committee reviewed the remuneration of Directors and the senior management.

The members and attendance of the Remuneration Committee meetings are as follows:

Name of Director	Number of attendance
Mr. Li Yunde *(chairman)*	1/1
Mr. Li Xiaoyang	1/1
Mr. Zhang Jingsheng	1/1

The Company has adopted a share option scheme on 9 April 2012. The purpose of the share option scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. Details of the share option scheme are set out in the Report of the Directors.

The emolument payable to the Directors and senior management will depend on their respective contractual terms under employment contracts, if any, and will be fixed by the Board after taking into account the recommendation from the Remuneration Committee, the performance of the Group and the prevailing marketing conditions. Details of the remuneration of the Directors and senior management for the year ended 31 December 2016 are set out in note 42 to the consolidated financial statements.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2012 with written terms of reference, which was a aligned with the CG Code. The terms of reference of the Audit Committee is currently made available on the Stock Exchange's website and the Company's website.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Lin Chu Chang (as chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and accounts of the Group; and overseeing the Company's financial reporting system (including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget) and reviewing the risk management and internal control systems.

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 December 2016, the Audit Committee held two meetings.

The members and attendance of the Audit Committee Meetings are as follows:

Name of Director	Number of attendance
Mr. Lin Chu Chang *(chairman)*	2/2
Mr. Li Xiaoyang	2/2
Mr. Zhang Jingsheng	2/2

During the year ended 31 December 2016, the Audit Committee reviewed, among others, the 2015 annual results and the 2016 interim results of the Group. The Audit Committee was in the opinion that the preparation of such consolidated financial statements complied with the applicable accounting standards and the Listing Rules.

CORPORATE GOVERNANCE FUNCTIONS

The Company's corporate governance functions are carried out by the Board.

The corporate governance functions currently performed by the Board are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements; to oversee the Company's orientation program for new Director; to review and monitor the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's disclosure in the Corporate Governance Report.

During the year ended 31 December 2016, the Board has reviewed the Company's policies and practices on corporate governance, the training and continuous professional development of the Directors and senior management as well as the Company's compliance with the CG Code.

AUDITORS' REMUNERATION

For the year ended 31 December 2016, the remuneration paid/payable to the Company's auditor, PricewaterhouseCoopers, was as follows:

	RMB'000
Services rendered	
Audit services	2,818
Non-audit services	–
	2,818

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment.

Ms. Chan Yuen Ying, Stella ("Ms. Chan"), the representative of Uni-1, was appointed as the Company Secretary of the Company.

Ms. Chan Wing Ki Michele, the Chief Financial Officer of the Company, is the primary corporate contact person at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the year ended 31 December 2016.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders to convene an extraordinary general meeting

Pursuant to Article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

Putting enquiries by shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong

Procedures for putting forward proposals by shareholders at shareholders' meetings

Shareholders of the Company are requested to follow Article 64 of the Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Shareholders to convene an extraordinary general meeting".

Pursuant to Article 113 of the Articles, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office of the Company or at the Hong Kong branch share registrar and transfer office of the Company. The period for lodgement of the notice will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

The procedures for shareholders of the Company to propose a person for election as a Director is posted on the website of the Company. Shareholders or the Company may refer to the above procedures for putting forward any other proposals at general meetings.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2017 AGM will be voted by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;

- Publication of announcements on the annual and interim results on the Stock Exchange's website and the Company's website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

Constitutional Documents

There had been no changes in the constitutional documents of the Company during the year ended 31 December 2016.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2016, the Board has selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

The statement by the auditor of the Company about its responsibilities for the financial statements is set out in the independent auditor's report contained in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with Principle C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- Evaluation: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2016, no significant risk was identified.

Corporate Governance Report

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- Risk Assessment: A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2016, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("IA") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its reviews and the reviews made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

SENIOR MANAGEMENT'S REMUNERATION

Senior management's remuneration payment of the Group in the year ended 31 December 2016 falls within the following bands:

	Number of Individuals
HKD500,000 or below	6
HKD500,001 to HKD1,000,000	2
HKD1,000,001 to HKD1,500,000	1

Report of the Directors

The Directors of the Company are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 15 July 2016, the shareholders of the Company have approved to change the name of the Company from "China Zhongsheng Resources Holdings Limited" to "Add New Energy Investment Holdings Group Limited" and "愛德新能源投資控股集團有限公司" has been adopted as its official Chinese name to replace "中國中盛資源控股有限公司". With the approval of the Registrar of Companies in the Cayman Islands, the change of the company name became effective on 20 July 2016.

Great love knows no boundary, noble virtue conquers all fences. The Board's decision to change the name of the Company to Add New Energy Investment Holdings Group Limited reflects its main direction of business development, which is developing new clean energy improving the entire living environment of human beings, as well as improving water and soil resources through cutting-edge technology and deepening the expansion of basic resources closely related to human destiny such as iron and titanium, all aiming to thoroughly remedy the deficiency of the excessive reliance on resources and the single products structure of the Company. New business will expand all over the world. As for the domestic market, the new business enjoys great market share and is also suitable to be developed into projects under the policy of "One Belt One Road", which sees great prospective.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business, including the likely future developments, principal risks and uncertainties facing the Group, analysis using financial key performance indicators, is discussed under the sections headed "Chairman's Statement" and "Management Discussion and Analysis". Such discussion forms an integrate part of this report.

Environmental Policies and Performance

The Group is subject to a number of laws and regulations in China concerning overall environmental protection and impact to the environment. The Group places high emphasis on environmental treatment and sticks to innovation in technology to improve manufacturing efficiency and reduce energy consumption, therefore accomplishing sustainable recycled economy.

The Company has presented its environmental, social and governance report. Further information relating to the environmental policies and performance of the Group during the year 2016 is set out in "Environmental, Social and Governance Report 2016".

Compliance with Laws and Regulations

During the Year, the Group has complied, to the best knowledge of the Directors, with the relevant laws and regulations that have a significant impact on the Group.

Relationship with Stakeholders

The success of the Group depends on the support from key stakeholders. Further details of the relationships of the Group with stake holders are set out in "Environmental, Social and Governance Report 2016".

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 December 2016 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 95 to 157.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the Shareholders to attend and vote at the annual general meeting of the Company to be held on Friday, 9 June 2017 ("2017 AGM"), the register of members of the Company will be closed from Monday, 5 June 2017 to Friday, 9 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2017 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 2 June 2017.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2016 are set out in note 18 to the consolidated financial statements.

SHARES ISSUED

During the year ended 31 December 2016, the Company has issued shares with details as follows:

1. On 24 August 2016, 121,800,000 shares were allotted and issued at the price of RMB0.0944 (equal to HK$0.11) per share pursuant to the placing agreement entered into by the Company dated 1 August 2016 (as supplemented by a supplemental agreement dated 3 August 2016). The net price was approximately RMB0.0893 (equal to HK$0.104) per Share.

2. On 21 September 2016, 97,250,000 shares were allotted and issued at the price of RMB0.107 (equal to HK$0.124) per share pursuant to the placing agreement entered into by the Company dated 31 August 2016. The net price was approximately RMB0.102 (equal to HK$0.118) per Share.

DEBENTURES ISSUED

The Group has not issued any debenture during the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, the Company repurchased 29,528,000 shares of HK$0.002 each in the capital of the Company at prices ranged from HK$0.186 to HK$0.210 per share on the Stock Exchange. Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Repurchase price per share Highest	Repurchase price per share Lowest	Aggregate Repurchase consideration (excluding expenses)
		HK$	*HK$*	*HK$*
January 2016	26,790,000	0.210	0.186	5,364,564
February 2016	2,738,000	0.192	0.188	522,294
	29,528,000			5,886,858

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

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB629,910,000 (2015: RMB644,834,000).

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors

Mr. Li Yunde *(Chairman)*
Mr. Geng Guohua *(Chief Executive Officer)*
Mr. Lang Weiguo

Non-executive Director

Ms. Chau Ching

Independent non-executive Directors

Mr. Li Xiaoyang
Mr. Lin Chu Chang
Mr. Zhang Jingsheng

In accordance with Article 108 of the Articles, Mr. Lang Weiguo, Mr. Lin Chu Chang and Mr. Li Xiaoyang shall retire from office at the 2017 AGM by rotation and, being eligible, offer themselves for re-election.

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

SHARE OPTION SCHEME

To attract and retain the best available personnel, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 9 April 2012 ("Adoption Date") whereby the Board was authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on 27 April 2012.

The principal terms of the Scheme are summarised as follows:

1. The limit on the total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme(s) of any member of the Group must not exceed 10% of the nominal amount of all the issued share capital of the Company as at the Listing Date, i.e. 27 April 2012 (which was 360,435,790 shares, as adjusted by the share subdivision of every one share of HK$0.01 each into 5 shares of HK$0.002 each which became effective on 28 October 2014) unless Shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares in issue from time to time.

2. The total number of shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted to any Participant in any 12-month period shall not exceed 1% of the issued shares as of the proposed grant date.

3. The subscription price for the shares under the options to be granted under the Scheme will be a price determined by the Board at the time of grant of the options, and shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the options, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the date of grant of the option.

4. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

5. HK$1.00 is payable by the participant who accepts the grant of an option in accordance with the terms of the Scheme on acceptance of the grant of an option.

6. The Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company in general meeting.

The Company has not granted any option since adoption of the Scheme. Other details of the Scheme are set out in the prospectus of the Company dated 17 April 2012 (the "Prospectus").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2016 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service agreement with the Company on 27 March 2015 for a term of three years commencing from 27 April 2015 unless terminated by not less than three months' notice in writing served by either party on the other or in accordance with the provisions set out in the respective service agreement. Each of the executive Directors may receive a discretionary bonus, the amount of which will be determined by the Board with reference to the recommendations of the Remuneration Committee.

Each of the independent non-executive Directors entered into a service agreement with the Company on 30 March 2016 for a fixed term of two years commencing from 27 April 2016.

Ms. Chau Ching, non-executive Director, entered into a service agreement with the Company on 30 March 2016 for a term of two years commencing from 30 March 2016 unless terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors proposed for re-election at the 2017 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

Below are the changes in Directors' information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules up to the date of this report.

With effect from 1 April 2016, the remuneration of the following Directors has been adjusted as below:

Name of Director	Previous remuneration *(per annum)*	**Adjusted remuneration *(per annum)***
Mr. Li Yunde	HK$800,000	**HK$640,000**
Mr. Lang Weiguo	HK$600,000	**HK$240,000**
Mr. Lin Chu Chang	HK$300,000	**HK$240,000**
Mr. Zhang Jingsheng	HK$150,000	**HK$120,000**
Mr. Li Xiaoyang	HK$150,000	**HK$120,000**

DIRECTORS' INTERESTS IN CONTRACTS

Save as those disclosed in the section headed "Connected Transactions", none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2016, nor any contract of significance has been entered into during the year ended 31 December 2016 between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries.

CHARITABLE DONATIONS

During the year, the Group did not have charitable donation (2015: nil).

EQUITY-LINKED AGREEMENTS

Save for the Scheme as set out above in this report, other equity-linked agreement entered into by the Group during the year or subsisting at the end of the year are set out in the section headed "FUND RAISING ACTIVITIES AND ISSUANCE OF SHARES" under "Management Discussion and Analysis" and also note 18 to the financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

COMPETING INTERESTS

None of the Directors or any of their respective associates had any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

The Board has established a review committee (the "Committee") comprising all the independent non-executive Directors which was delegated with the authority to review on an annual basis of the non-competition undertaking given by Mr. Li Yunde ("Mr. Li") and Hongfa Holdings Limited (collectively, the "Covenantors") in the deeds of non-competition (the "Deeds of Non-competition") entered into by, among others, the Covenantors dated 9 April 2012. An extract of the material terms of the Deeds of Non-competition had been set out in the Prospectus. The Covenantors confirmed that (a) they have provided all information necessary for the enforcement of the Deeds of Non-competition as requested by the Committee from time to time; and (b) from the effective date of the Deeds of Non-competition, i.e. 9 April 2012 and up to 31 December 2016, they had complied with the Deeds of Non-competition. The Committee also confirmed that they were not aware of any non-compliance with the Deeds of Non-competition by the Covenantors during the same period.

RETIREMENT SCHEMES

The Group participates in a state-managed retirement scheme operated by the PRC government which covers the Group's eligible employees in the PRC and a Mandatory Provident Fund Scheme for the employee in Hong Kong. Particulars of these retirement plans are set out in note 2.18 to the consolidated financial statements in this annual report.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2016, the interest or short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or pursuant to the Model Code, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, are set out below:

Interests or short positions in shares, underlying shares and debentures of the Company

Name of Director	Capacity/ Nature of interest	Long position/ short position	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Li Yunde ("Mr. Li")	Interest of controlled corporation	Long position	2,048,138,660 *(Note 1)*	44.37%
Ms. Chau Ching ("Ms. Chau")	Beneficial owner	Long position	20,468,000	0.44%
Mr. Lang Weiguo ("Mr. Lang")	Interest of controlled corporation	Long position	18,700,000 *(Note 2)*	0.41%

Interests or short positions in shares, underlying shares and debentures of associated corporations

Name of Director	Name of associated corporation	Capacity/ Nature of Interest	Number of ordinary shares held	Approximate percentage of shareholding in the associated corporation
Mr. Li	Hongfa Holdings Limited	Beneficial owner	1 *(Note 1)*	100.00%
Mr. Li	Ishine International Resources Limited	Beneficial owner	10,000,000	4.79%
Mr. Li	Linyi Luxing Titanium Co., Ltd	Interest of controlled corporation	1,100,000 *(Note 3)*	5.00%

Notes:

1. Mr. Li beneficially holds the entire issued share capital of Hongfa Holdings Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability, which in turn beneficially holds 2,048,138,660 shares of the Company (the "Share(s)"). For the purposes of the SFO, Mr. Li is deemed or taken to be interested in all the Shares held by Hongfa Holdings Limited.

2. Mr. Lang beneficially holds the entire issued share capital of Novi Holdings Limited and All Five Capital Ltd., both of which were incorporated in the BVI with limited liability, which in turn beneficially hold 650,000 Shares and 18,050,000 Shares, respectively. For the purposes of the SFO, Mr. Lang is deemed or taken to be interested in all the Shares held by Novi Holdings Limited and All Five Capital Ltd..

3. Mr. Li and his spouse, Ms. Zhang Limei, together hold the entire equity interest of Linyi Run Xing Investment Company Limited, which in turn holds 1,100,000 shares in Linyi Luxing Titanium Co., Ltd.. For the purposes of the SFO, Mr. Li is deemed or taken to be interested in all the shares held by Linyi Run Xing Investment Company Limited.

Save as disclosed above, as at 31 December 2016, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 31 December 2016, so far as is known to any Director, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholder	Nature of Interest	Long Position/ Short Position	Number of Shares held	Approximate percentage of interest
Hongfa Holdings Limited	Beneficial owner	Long position	2,048,138,660	44.37%
Ms. Zhang Limei	Interest of spouse	Long position	2,048,138,660 *(Note 1)*	44.37%
X. Mining Resources Group Limited	Beneficial owner	Long position	326,344,000	7.07%
Mr. Wu Pun Yan ("Mr. Wu")	Interest of controlled corporation	Long position	326,344,000 *(Note 2)*	7.07%

Notes:

1. Ms. Zhang Limei ("Ms. Zhang") is the spouse of Mr. Li. For the purpose of the SFO, Ms. Zhang is deemed or taken to be interested in all the Shares in which Mr. Li is interested.

2. Mr. Wu beneficially holds the entire issued share capital of X. Mining Resources Group Limited which in turn beneficially holds 326,344,000 Shares. For the purposes of SFO, Mr. Wu is deemed or taken to be interested in all the Shares held by X. Mining Resources Limited.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2016.

CONNECTED TRANSACTIONS

Trademark License Agreement

On 14 February 2012, Shandong Ishine Mining Industry Co. Ltd. (山東興盛礦業有限責任公司) ("Shandong Ishine"), an indirectly wholly-owned subsidiary of the Company, and Mr. Li Yunde ("Mr. Li"), one of the controlling shareholders, the Chairman and an executive Director of the Company, entered into a trademark license agreement (the "Trademark License Agreement") pursuant to which Mr. Li agreed to grant a license to Shandong Ishine to use the registered trademark on an exclusive, sole and royalty-free basis for a term of 10 years commencing from the date of signing of the Trademark License Agreement at nil consideration. Upon expiry of the Trademark License Agreement, Shandong Ishine has the pre-emption to require Mr. Li to renew the Trademark License Agreement. According to the Trademark License Agreement, Shandong Ishine has options to acquire the trademark rights of the registered trademark and all the relevant rights attached thereto from Mr. Li at any time during the term of the Trademark License Agreement for a nominal consideration of RMB10. The transaction under the Trademark License Agreement constitutes an exempted continuing connected transaction of the Company under Rule 14A.76(1) of the Listing Rules and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Key Management Compensation

The material related party transactions in relation to the key management compensation remuneration, which is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.95 of the Listing Rules as disclosed in note 39 to the consolidated financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, approximately 90% of the Group's turnover and approximately 68% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively. Approximately 44% of the Group's turnover and approximately 48% of the Group's purchases were attributable to the Group's largest customer and the Group's largest supplier, respectively. To the best knowledge of the Directors, none of the Directors or chief executive of the Company or any shareholder owning more than 5% of the Company's share capital or their respective associates, had any interest in the Group's five largest customers or five largest suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2016.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2012 with written terms of reference in compliance with the CG Code, which currently comprises three independent non-executive Directors, namely Mr. Lin Chu Chang (as chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The Audit Committee is mainly responsible for the relationship with the Company's auditor, review of the Company's financial information and monitoring of the Company's financial reporting system and risk management and internal control systems. The Audit Committee has reviewed this annual report and the audited annual financial statements for the year ended 31 December 2016 before such documents were tabled for the Board's review and approval, and is of the opinion that such documents complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 65 to 75 of this annual report.

AUDITORS

PricewaterhouseCoopers has acted as auditor of the Company for the year ended 31 December 2016. The Company has not changed its external auditor during the past three years. A resolution will be submitted to the 2017 AGM to re-appoint PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board
Add New Energy Investment Holdings Group Limited

Li Yunde
Chairman

Hong Kong, 30 March 2017

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Yunde ("Mr. Li")

Mr. Li, aged 50, was appointed as a Director on 8 February 2011 and redesignated as an executive Director of the Company on 9 April 2012. Mr. Li is also the Chairman of the Board, and a director of all of the subsidiaries of the Group, except Fortuneshine Investment Ltd. and Shine Mining Investment Limited. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. He is primarily responsible for the Group's overall strategic planning, business development and management. Mr. Li has over 20 years of experience in iron ore exploration, mining and processing in Shandong Province, the PRC. Mr. Li graduated from Shandong University (山東大學) in July 2002, majoring in Marketing (市場行銷). He has also completed the China Private Enterprise Entrepreneur Training (中國民營企業總裁研修) held by Tsinghua University (清華大學) in March 2005. He has been the Chairman of the Board of the Association of Industry and Commerce of Linyi City, Yishui County, Shandong Province (沂水縣工商業聯合會). Mr. Li was awarded the "Outstanding Member of the National People's Congress of Linyi City (臨沂市優秀人大代表)" in February 2007 by the Standing Committee of the National People's Congress of Linyi City and the "Model Worker of Shandong Province (山東省勞動模範)" in April 2008 by the People's Government of Shandong Province. Since November 2012, Mr. Li has been the Vice-President of China Mining Association (中國礦業聯合會) Australian Branch, and was elected as the Representative of the National People's Congress of Shandong Province in January 2013. He has been the Standing Director of China Federation of Industry & Commerce (全國工商業聯合會) Metallurgy Branch. He has also been the Standing Director of the Chinese Enterprises Investment Association since 2013 and also the Vice-Chairman of the board of directors of the Listed Companies Council of the Hong Kong Chinese Enterprises Association since November 2015.

Mr. Geng Guohua ("Mr. Geng")

Mr. Geng, aged 47, was appointed as an executive Director and the Chief Operating Officer of the Company on 9 April 2012. He was appointed as the Chief Executive Officer of the Company on 14 May 2013 and resigned as the Chief Operating Officer of the Company with effect from 2 May 2014. Mr. Geng was the chief operating officer of Shandong Ishine Mining Industry Co., Ltd. (山東興盛礦業有限責任公司) ("Shandong Ishine") from 2007 to 2 May 2014, an indirect wholly-owned subsidiary of the Company, and has been a director of Shandong Ishine since November 2010 during which he has acquired relevant experience in the operation of iron and ilmenite mines and participated in trainings relating to mining, production, management and geology organised by Tsinghua University and University of Toronto. He is primarily responsible for the Group's overall operation. Mr. Geng began his career in 1989 and worked at different managerial levels in Shandong Liaherd Chemical Industry Co., Ltd. (山東聯合化工股有限公司). From 1999 to 2003, he worked as a management person of Shandong Fuyuan Leather Group Ltd. (山東富源皮革集團有限公司) and was responsible for its technical services, production and sales management. He had been the deputy general manager in charge of production of Beijing Huiyuan Juice Group Limited (北京匯源果汁集團有限公司) (currently known as China Huiyuan Juice Group Limited (中國匯源果汁集團有限公司), a company listed on the Stock Exchange (stock code: 1886)) from 2003 to 2007 and was responsible for its general management. Mr. Geng graduated at Correspondence Institute of the Party School of Central Committee of Communist Party of China (中共中央黨校函授學院) majoring in Law in December 2001. Mr. Geng was accredited as a Human Resources Developments and Project Technician (Enterprise Human Resource Management) (人力資源開發管理工程技術人員(企業人力資源管理人員)) in October 2003 by the Occupational Skill Testing Authority (職業技能鑒定(指導)中心) of Shandong Province, the PRC. He has been a director of the Chinese Enterprises Investment Association since 2013 and the deputy president of the Listed Companies Council of the Hong Kong Chinese Enterprises Association since December 2015.

Mr. Lang Weiguo ("Mr. Lang")

Mr. Lang, aged 58, was appointed as an executive Director on 9 April 2012. He joined the Group in 2010 and has been the vice chairman of the board of directors of Shandong Ishine since November 2010. He is primarily responsible for the Group's business development and investment. Mr. Lang is also a director of Fortuneshine Investment Ltd. and Shine Mining Investment Limited, both of which are the subsidiaries of the Group. He received a bachelor degree in Engineering from Agriculture University of Heilongjiang (黑龍江八一農墾大學) in July 1982 and further obtained his master's and doctorate degrees in Engineering from University of Saskatchewan in Canada in May 1989 and May 1993, respectively. From 1999 to 2004, he had been the president and a director of Q-Net Technologies Co., Ltd., a company which was quoted on the Over-The-Counter Bulletin Board Trading System ("OTCBB") (symbol: QNTI) in the United States of America, responsible for its general management and business development. From 2004 to 2005, he became the chairman of the board of directors of Savoy Resources Co., Ltd., a company quoted on the National Association of Securities Dealers Over-The-Counter Bulletin Board (symbol: SVYR) in the United States of America, responsible for its business development. From 2003 to 2008, he acted as a director of Vendtek Systems Inc., a company listed on Toronto Stock Exchange Venture (symbol: VSI) in Canada, responsible for its business development. From 2007 to 2011, Mr. Lang had also been a director of Zhongrun (Tianjin) Mining Development Co., Ltd (中潤(天津)礦業開發有限公司), a PRC company principally engaged in the development and exploration of metal mines and resources, and relevant consultancy services, responsible for its business development. Since June 2015, Mr. Lang has become the Director, CEO & President of Ultra Lithium Inc., a company listed on Toronto Stock Exchange Venture (Symbol: ULI) in Canada.

NON-EXECUTIVE DIRECTOR

Ms. Chau Ching ("Ms. Chau")

Ms. Chau, aged 47, graduated from Hangzhou University (now known as Zhejiang University) with bachelor's degree in Tourism Economic in 1991. Ms. Chau has over 20 years in the business of tourism, import and export of textile products and foodstuff, international trading of iron ore and steel products, bulk carrier chartering business, property investment and management as well as resources investment holding business. Since 1998, Ms. Chau has joined Chang Yuan Resources Ltd ("Chang Yuan"), a company incorporated in Hong Kong and specialized in the trading business of iron ore and steel products between Middles East, Australia and South East Asia and China. Ms. Chau has been responsible for overseeing daily operation including business, administrative and accounting affairs. She has now been acted as general manager and director of Chang Yuan. Ms. Chau has extensive experience in trading of iron ore business and bulk carrier chartering business. In the period of her service for Chang Yuan, Ms. Chau has also participated in and played an important role in a series of acquisition and reverse acquisition, merger and capital financing activities conducted by Chang Yuan and its related companies. From 2007 to 2012, Ms. Chau has been acted as assistant to chairman and chief executive officer, and joint company secretary of Rocklands Richfield Limited ("RCI"), a company listed in Australia (ASX code "RCI") with the business of exploration and development of its three coal tenements in Bowen Basin of Queensland, Australia and assisting the chairman and chief executive officer of RCI and RCI group with their respective day to day operation and management including preparation of annual report, and has also been acted as the director of RCI's subsidiaries. Ms. Chau participated in and played an important role in the activity of RCI's being acquired by Shandong Energy Group in 2012.

Ms. Chau has now been acting as director and general manager for several related companies of Chang Yuan and is responsible for management of daily operation of agriculture and forestry resources, property investment and management, tourism and retirement resort in China, Hong Kong, Australia and Papua New Guinea.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Xiaoyang ("Mr. Li XY")

Mr. Li XY, aged 61 was appointed as an independent non-executive Director on 9 April 2012. He is a member of each of the Audit Committee and the Nomination Committee. Mr. Li XY graduated from Central South Institute of Mining and Metallurgy (中南礦冶學院) (currently known as Central South University (中南大學)) in July 1978, majoring in Metallurgical Analytical Chemistry (冶金分析化學). He also obtained a master's degree of Regional Economics Management (區域經濟管理) granted by Beijing Normal University (北京師範大學) in December 2002. From 1980 to 2000, he worked in Kunming Institute of Metallurgy (昆明冶金研究院) and was appointed as an engineer, and a senior engineer in 1986 and 1996, respectively, focusing on the research and technical development of metallurgy.

Mr. Lin Chu Chang ("Mr. Lin")

Mr. Lin, aged 47, was appointed as an independent non-executive Director on 9 April 2012. He is the chairman of the Audit Committee and the Remuneration Committee. He graduated from The University of Hong Kong (香港大學) in November 1991 with a Bachelor of Science degree. Mr. Lin has previously held senior positions with various companies, including companies listed on the Stock Exchange, and has gained extensive experience in reviewing and analysing financial statements of public and private companies. Between 1994 and 1996, he was a China business analyst of ChinaVest Limited, a venture capital firm, responsible for conducting research and analysis for the company. From 1997 to 2001, Mr. Lin was a vice president of the research department of Merrill Lynch (Asia-Pacific Region), responsible for analyzing various listed companies. He was the chief financial officer of China Resources Land Limited, a company listed on the Stock Exchange (stock code: 01109), from 2002 to 2006 and Longfor Properties Co. Ltd., a company listed on the Stock Exchange (stock code: 00960), from 2006 to 2010, responsible for treasury and financial reporting to the Board of the companies. Mr. Lin was an executive director of Longfor Properties Co. Ltd. between 2008 and 2010, responsible for its financial management and investor relationships. He has also been an independent non-executive director of Shenzhen Expressway Company Limited, a company listed on the Stock Exchange (stock code: 00548) since March 2012.

Mr. Zhang Jingsheng ("Mr. Zhang")

Mr. Zhang, aged 71, was appointed as an independent non-executive Director on 9 April 2012. He is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. He has been an independent director of Shandong Ishine since 2008. He worked as an engineer, manager, deputy dean and dean of Changsha Research Institute of Mining and Metallurgy (長沙礦冶研究院) currently known as the Changsha Research Institute of Mining and Metallurgy Limited (長沙礦冶研究院有限公司) from 1981 to 2007, and was primarily responsible for human resources and financials. Mr. Zhang has been awarded various prizes in relation to ore dressing which include (among others):

1. the second prize of technology advancement regarding "Research on Reasonable Ore Processing Process for Lean Hematite in Qidashan District (齊大山貧紅鐵礦合理選礦工藝流程)" awarded by the Metallurgy Ministry in December 1992;

2. the third prize of technology advancement regarding "Research on the Techniques for Ocean Polymetallic Nodules Special Ore Processing (大洋多金屬結核特殊選礦工藝研究)" awarded by the Metallurgy Ministry in December 1996;

3. the first prize of science and technology regarding "Research on Grading of Controlling Iron Ore Swirler, Spinning Clay, and Anti-flotation Process in East Anshan District (東鞍山鐵礦石旋流器控制分級-脫泥-反浮選流程研究)" awarded by the Metallurgy Ministry in 1998;

4. "95" outstanding individual on national scientific and technological achievement and advancement ("九五"國家重點科技攻關計劃先進個人) awarded by the Scientific and Technological Ministry, Ministry of Economic Trade, Finance Ministry, and National Planning Ministry of the PRC in 2001;

5. the first prize for science and technology progress regarding "Research on Equipment and Technology for Ore Processing Process for Panzhihua Micro-fine Ilmenite (攀枝花微細粒級鈦鐵礦選礦工程技術及選鈦裝備研究)" awarded by the People's Government of Sichuan in 2002; and

6. the special award of Metallurgy technology awarded by the Metallurgy Ministry in October 2003 regarding "Research on Technical Use of New Techniques, New Medicine and New Equipment for Ore Processing of Lean Hematite (Magnetic) in Anshan District (鞍山貧赤（磁）鐵礦選礦新工藝、新藥劑、新設備研究及工藝應用)".

SENIOR MANAGEMENT

Ms. Chan Wing Ki Michele, aged 35, was appointed as the Financial Controller of the Company on 9 April 2012 and was re-designated as the Chief Financial Officer of the Company on 25 August 2016. Ms. Chan graduated from Macquarie University, Sydney, Australia with Bachelor of Commerce (Accounting). She also obtained a Postgraduate Diploma, majoring in Commerce, granted by the University of Sydney, Sydney, Australia in October 2006. Ms. Chan was admitted as a Certified Practising Accountant of the Certified Practising Accountants, Australia in December 2009.

Ms. Chan began her career in Dell Australia Ltd as an accountant and was primarily responsible for preparing daily and monthly reports of assets, liabilities and inventories from 2006 to 2007. From 2007 to 2008, she was appointed as an assistant accountant in BEA System Pty Ltd, and was responsible for accounts receivable and payable function as well as supporting the senior accountant and finance function. From 2008 to 2010, she was appointed as a fund accountant in ING Real Estate Fund Investment Management Australia (INGREFIMA), and was primarily responsible for controlling and adjusting daily reports, and preparing cash, asset and liability forecasts. In 2010, she was appointed as a staff accountant of the Carlyle Management Hong Kong Limited and was responsible for assisting the establishment of a branch office in Australia and handling accounting duties for the branch offices located in Australia, Singapore and Korea.

Ms. Zhou Shifeng, aged 44, was appointed as the Financial Controller of the Company on 25 August 2016. She holds a college diploma and the title of accountant in China. From 1992 to 2010, Ms. Zhou served as the accountant in finance department, head of accounting department, deputy general manager and manager of finance department in Shandong Luyuan Wine Co., Ltd. She joined Shandong Ishine Mining Industry Co., Ltd., a wholly-owned subsidiary of the Company, in 2010, and served as deputy financial manager. In 2013, Ms. Zhou was appointed as the vice financial controller and the manager of finance department of the Company. At the same time, she also served as the secretary to the board of directors and the manager of investment development department of Shandong Ishine Mining Industry Co., Ltd. Ms. Zhou has been serving as the financial controller of Tianjin Ever Grand Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Company, since May 2015.

COMPANY SECRETARY

Ms. Chan Yuen Ying, Stella, aged 45, was appointed as the company secretary of the Company on 9 April 2012. Ms. Chan is a fellow member of the Institute of Chartered Secretaries and Administrators and a fellow member of the Hong Kong Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors. Ms. Chan has over 20 years' experience in handling listed company secretarial matters.

Independent Auditor's Report

To the Shareholders of Add New Energy Investment Holdings Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Add New Energy Investment Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 95 to 157, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Determination of the recoverable amounts of the long-term assets – property, plant and equipment and intangible assets relate to mining business (collectively referred to as "Mining Assets") Refer to note 6 and note 7 to the consolidated financial statements. As at 31 December 2016, the carrying amounts of the Mining Assets amounted to RMB359,406,000, representing 41% of total assets. Low iron concentrate and ilmenite concentrate prices may indicate that the carrying amounts of the Mining Assets as at 31 December 2016 might be impaired. Impairment exists when the carrying amount of an asset exceeds its recoverable amount. The Group has adopted the values in use model to determine the recoverable amounts of the Mining Assets, and allocated the calculated impairment among the mining rights and the property, plant and equipment based on their respective carrying amounts. The matter is considered to be a key audit matter because of the significance of the carrying amounts of the Mining Assets as at 31 December 2016, and significant estimations and assumptions to be applied by management when determining the recoverable amounts of the Mining Assets, such as future sales prices, discount rate, production volumes and production costs.	In addressing this matter, we have performed the following procedures: • We tested selected internal controls over the following: (i) Development of discounted cash flow models for the values in use calculations of the Mining Assets; (ii) Review and approval of values in use calculations and impairment provisions. • We evaluated key estimations and assumptions adopted by the Group in the values in use calculations for the Mining Assets, by comparing them to management approved budgets and actual operating results, and by benchmarking them to industry data. Our internal valuation expert was also involved in review of certain assumptions adopted by the Group. This mainly included: (i) Compared future sales prices adopted by the Group against a range of reputable published iron concentrate and ilmenite concentrate price forecasts; (ii) Estimated a range of discount rates independently, and found that the discount rate adopted by the Group was within the range;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
	(iii) Compared total production volumes against mining reserve estimation reports issued by experts engaged by the management and evaluated the competence, capability and objectivity of those experts engaged in estimating the mining reserves; (iv) Compared the production profile against future production plans approved by the management as well as against historical data; and (v) Compared future production costs against historical data. • We evaluated the sensitivity analysis prepared by the Group based on varying key assumptions in the values in use models, and assessed the potential impacts of a range of possible outcomes. • We assessed the methodology adopted in, and tested mathematical accuracy of, the relevant cash flow models used. Based on our work, we found the key assumptions adopted by the Group are supported by evidence gathered.

OTHER INFORMATION

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hon Chong Heng.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2017

Consolidated Balance Sheet

(Amounts expressed in thousands of RMB)

	Note	As at 31 December 2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**302,137**	352,930
Intangible assets	*7*	**58,150**	61,287
Available-for-sale financial assets	*8*	**1,665**	432
Deferred income tax assets	*9*	**15,044**	8,432
Long-term receivables	*10*	**–**	58,264
Other non-current assets	*11*	**7,370**	–
		384,366	481,345
Current assets			
Inventories	*12*	**32,275**	39,796
Trade receivables	*13*	**77,419**	133,619
Notes receivables	*14*	**7,000**	91,800
Prepayments and other receivables	*15*	**133,775**	39,987
Current portion of long-term receivables	*10*	**–**	14,689
Financial assets at fair value through profit or loss ("FVPL")	*16*	**–**	22,895
Cash and cash equivalents	*17*	**120,354**	98,090
Term deposits	*17*	**100,000**	100,000
Restricted bank deposits	*17*	**28,308**	45,000
		499,131	585,876
Total assets		**883,497**	1,067,221
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	*18*	**644,393**	628,066
Reserves	*19*	**66,726**	64,388
Accumulated losses	*20*	**(185,209)**	(68,152)
		525,910	624,302
Non-controlling interests		**5,247**	1,426
Total equity		**531,157**	625,728

Consolidated Balance Sheet

(Amounts expressed in thousands of RMB)

	Note	As at 31 December 2016	2015
LIABILITIES			
Non-current liabilities			
Borrowings	*24*	**111,412**	100,827
Provisions for close down, restoration and environmental costs	*25*	**26,992**	25,759
Deferred income		**501**	–
Deferred income tax liabilities	*9*	**17,433**	2,366
		156,338	128,952
Current liabilities			
Borrowings	*24*	**100,000**	170,000
Trade payables	*21*	**19,447**	47,654
Notes payables	*22*	**20,000**	50,000
Accruals and other payables	*23*	**55,354**	42,388
Dividend payables	*26*	**–**	1,337
Current portion of long-term liabilities		**39**	–
Current income tax liabilities		**1,162**	1,162
		196,002	312,541
Total liabilities		**352,340**	441,493
Total equity and liabilities		**883,497**	1,067,221
Net current assets		**303,129**	273,335
Total assets less current liabilities		**687,495**	754,680

The notes on pages 100 to 157 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 30 March 2017, and were signed on its behalf.

Executive Director *Executive Director*

Consolidated Statement of Comprehensive Income

(Amounts expressed in thousands of RMB)

	Note	Year ended 31 December 2016	2015
Revenue	27	**58,248**	294,481
Cost of sales	28	**(56,207)**	(329,224)
Gross profit/(loss)		**2,041**	(34,743)
Distribution expenses	28	**(249)**	(3,034)
Administrative expenses	28	**(88,324)**	(210,474)
Other (loss)/income	30	**(332)**	213
Other gains/(losses) – net	31	**1,716**	(12,416)
Operating loss		**(85,148)**	(260,454)
Finance income	32	**2,995**	2,453
Finance expenses	32	**(27,447)**	(24,056)
Finance expenses – net	32	**(24,452)**	(21,603)
Loss before income tax		**(109,600)**	(282,057)
Income tax (expense)/credit	34	**(8,455)**	18,641
Loss for the year		**(118,055)**	(263,416)
Loss attributable to:			
Owners of the Company		**(117,240)**	(261,414)
Non-controlling interests		**(815)**	(2,002)
		(118,055)	(263,416)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Change in value on available-for-sale financial assets	8	**1,190**	80
Currency translation differences		**(90)**	(36)
Total comprehensive loss for the year		**(116,955)**	(263,372)
Attributable to:			
Owners of the Company		**(116,907)**	(261,401)
Non-controlling interests		**(48)**	(1,971)
Total comprehensive loss for the year		**(116,955)**	(263,372)
Losses per share for loss attributable to owners of the Company for the year (expressed in RMB per share)			
Basic losses per share	35	**(0.03)**	(0.06)
Diluted losses per share	35	**(0.03)**	(0.06)

The notes on pages 100 to 157 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(Amounts expressed in thousands of RMB)

	Note	Attributable to Owners of the Company					
		Share capital and share premium (Note 18)	Reserves (Note 19)	Accumulated losses (Note 20)	Total	Non-controlling interests	Total equity
Balance at 31 December 2015		628,066	64,388	(68,152)	624,302	1,426	625,728
Comprehensive income							
Loss for the year		–	–	(117,240)	(117,240)	(815)	(118,055)
Other comprehensive income							
Available-for-sale financial assets	8	–	360	–	360	830	1,190
Currency translation differences		–	(27)	–	(27)	(63)	(90)
Transactions with owners in their capacity as owners							
Utilisations		–	(183)	183	–	–	–
Repurchase of shares	*18(b)*	(4,969)	–	–	(4,969)	–	(4,969)
Proceeds from shares issued	*18(c)(d)*	21,296	–	–	21,296	–	21,296
Contribution from non-controlling shareholders		–	2,188	–	2,188	3,869	6,057
Balance at 31 December 2016		644,393	66,726	(185,209)	525,910	5,247	531,157

	Note	Attributable to Owners of the Company					
		Share capital and share premium (Note 18)	Reserves (Note 19)	Retained earnings/ (Accumulated losses) (Note 20)	Total	Non-controlling interests	Total equity
Balance at 31 December 2014		473,696	65,195	177,900	716,791	3,397	720,188
Comprehensive income							
Loss for the year		–	–	(261,414)	(261,414)	(2,002)	(263,416)
Other comprehensive income							
Available-for-sale financial assets	8	–	56	–	56	24	80
Currency translation differences		–	(25)	–	(25)	(11)	(36)
Transactions with owners in their capacity as owners							
Utilisations		–	(15,362)	15,362	–	–	–
Share-based payments		–	15,734	–	15,734	18	15,752
Exercise of warrants	36	35,138	(1,210)	–	33,928	–	33,928
Proceeds from shares issued		119,232	–	–	119,232	–	119,232
Balance at 31 December 2015		628,066	64,388	(68,152)	624,302	1,426	625,728

The notes on pages 100 to 157 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(Amounts expressed in thousands of RMB)

	Note	Year ended 31 December 2016	2015
Cash flows from operating activities			
Cash generated from/(used in) operations	*37*	**62,993**	(87,009)
Interest paid		**(15,603)**	(17,195)
Interest received	*30,32*	**4,317**	2,930
Net cash generated from/(used in) operating activities		**51,707**	(101,274)
Cash flows from investing activities			
Purchases of property, plant and equipment ("PPE") and intangible assets		**(5,601)**	(8,098)
Proceeds from disposal of PPE	*37*	**244**	–
Increase of term deposits	*17*	**–**	(100,000)
Decrease/(Increase) of restricted bank deposits	*17*	**16,692**	(43,450)
Advance construction funds from government		**8,310**	7,200
Net cash generated from/(used in) investing activities		**19,645**	(144,348)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares	*18*	**21,296**	153,160
Proceeds from non-controlling shareholders' investment in subsidiaries		**6,057**	–
Proceeds from borrowings		**100,000**	266,333
Repayments of borrowings		**(170,000)**	(217,550)
Dividends paid to shareholders	*26*	**(1,337)**	–
Repurchase of shares	*18*	**(4,969)**	–
Net cash (used in)/generated from financing activities		**(48,953)**	201,943
Net increase/(decrease) in cash and cash equivalents		**22,399**	(43,679)
Cash and cash equivalents at beginning of year	*17*	**98,090**	142,024
Exchange losses on cash and cash equivalents		**(135)**	(255)
Cash and cash equivalents at end of year	*17*	**120,354**	98,090

The notes on pages 100 to 157 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016
(Amounts expressed in thousands of RMB unless otherwise stated)

1. GENERAL INFORMATION

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

On 10 June 2016, the Board of Directors proposed to change the name from "China Zhongsheng Resources Holdings Limited" to "Add New Energy Investment Holdings Group Limited", the present one, which has been passed as a special resolution at an extraordinary general meeting of the Company held on 15 July 2016 ("EGM"), to better reflect the Company's strategic business plans to expand into clean energy, water and soil pollution treatment businesses, to continue the development of iron and titanium concentrates, and to establish the full titanium industrial chain.

The Company is an investment holding company. The Company and its subsidiaries (collectively the "Group") are principally engaged in iron ore mining and processing, ilmenite ore mining and processing, sales of iron concentrates and titanium concentrates, the establishment of the full titanium industrial chain and finance lease activities in the People's Republic of China (the "PRC") and exploration of metal reserves in Australia. In the future, the Group will also develop businesses in clean energy, water and soil pollution treatment in the PRC. The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 27 April 2012.

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

These consolidated financial statements have been approved for issuance by the Board of Directors on 30 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Clarification of acceptable methods of depreciation and amortisation – Amendments to HKAS 16 and HKAS 38
- Annual improvements to HKFRSs 2012 – 2014 cycle, and
- Disclosure initiative – amendments to HKAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

(i) HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The financial asset held by the Group is equity instrument currently classified as available-for-sale for which a fair value through other comprehensive income ("FVOCI") election is available under the HKFRS 9, and accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted (Continued)

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

(ii) HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;
- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and
- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted (Continued)

(iii) HKFRS 16, 'Leases'

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

The accounting for lessors will not significantly change.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Subsidiaries

2.2.1 Consolidation

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

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

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

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses) – net' in the income statement.

2.6 Intangible assets

(a) Mining rights

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

(b) Exploration rights

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (Continued)

(c) Exploration and evaluation assets

Exploration and evaluation assets are stated at historical cost. As the assets are not available for use, they are not amortised. Exploration and evaluation assets comprise expenditure that is directly attributable to researching and analysing existing exploration data, conducting geological studies, exploratory drilling and sampling, examining and testing extraction and treatment methods and compiling pre-feasibility studies.

During the initial stage of a project, exploration and evaluation expenditure is recognised as an expense as incurred. When the project has reached a stage at which the management is highly confident in its viability, expenditure on the project is capitalised as exploration and evaluation assets if the project proceeds. If a project does not prove viable, all irrecoverable expenditures associated with the project are expensed in the income statement.

Exploration and evaluation assets are monitored for indicators of impairment listed below:

(i) the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(ii) substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(iii) exploration and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; and

(iv) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

When one or more of the above indicators are triggered, impairment assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but require major capital expenditure before production can begin are continually evaluated for impairment to ensure that commercial quantities of reserves exist or that additional exploration work is underway or planned. Impairment losses are charged to the income statement as incurred.

If an exploration and evaluation asset is sold or abandoned, cost and related accumulated impairment losses will be charged to the income statement in the period in which the sale or abandonment occurred.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGUs")). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'notes receivables', 'prepayments and other receivables', 'cash and cash equivalents', 'term deposits' and 'restricted bank deposits' in the balance sheet (Notes 2.11 and 2.12).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other losses – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities".

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

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

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.10 Inventories

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

2.11 Trade receivables and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.8.2 for further information about the Group's accounting for trade receivables and Note 2.9 for a description of the Group's impairment policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity.

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

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Borrowing costs (Continued)

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

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

(b) Deferred income tax

(i) Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

(ii) Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) Pension obligations

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

(b) Housing benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees or other service providers as consideration for equity instruments (options or warrants) of the Group. The fair value of the employee services received in exchange for the grant of the options or warrants is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options or warrants granted:

(i) including any market performance conditions (for example, an entity's share price);

(ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(iii) including the impact of any non-vesting conditions (for example, requirement for employees to save or holding shares for a specified period of time).

Non-marketing performance and service conditions are considered in the assumptions associated with the number of options or warrants expected to vest. Expenses are recognised in profit or loss over the vesting period, in which all of the specified vesting conditions are satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options or warrants that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees or other service providers may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options or warrants are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

2.20 Provisions for close down, restoration and environmental costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions for close down, restoration and environmental costs (Continued)

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

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Sales of goods

Revenue arising from sales of iron concentrates and titanium concentrates is recognised when the goods are delivered to the customer and there is no unfulfilled obligation that may have an impacted on the customer's acceptance of the goods.

(b) Rental income

Rental income from lease activities is recognised in the income statement on an actuarial basis over the term of the lease.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (Continued)

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to as the 'actuarial method'. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

2.23 Dividend distribution

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

2.24 Government grants

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

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

As at 31 December 2016, if RMB had weakened/strengthened by 5% (2015: 5%) against HKD with all other variables held constant, profit before income tax for the year would have been RMB5,616,000 (2015: RMB4,926,000) lower/higher mainly as a result of foreign exchange losses/gains on translation of borrowings denominated in HKD.

As at 31 December 2016, if RMB had weakened/strengthened by 5% (2015: 5%) against USD with all other variables held constant, profit before income tax for the year would have been RMB1,500,000 (2015: RMB509,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of cash and cash equivalents denominated in USD.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group has not used any derivative financial instruments to hedge interest rate risk exposures historically.

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

(b) Credit risk

The carrying amounts of cash and cash equivalents, term deposits, restricted bank deposits and receivables except for prepayment included in the balance sheet represent the Group's maximum exposure to the credit risk in relation to its financial assets.

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

Sales to the Group's top five largest customers accounted for 90% of total revenue for the year ended 31 December 2016 (2015: 59%). Risk control assesses the credit quality of all the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements.

(Amounts expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

	Within 1 year	1-2 years	2-5 years	Over 5 years
As at 31 December 2016				
Borrowings	**113,463**	**10,717**	**32,150**	**140,903**
Trade payables	**19,447**	**–**	**–**	**–**
Notes payables	**20,000**	**–**	**–**	**–**
Other payables	**28,777**	**–**	**–**	**–**
	181,687	**10,717**	**32,150**	**140,903**

	Within 1 year	1-2 year	2-5 year	Over 5 year
As at 31 December 2015				
Borrowings	183,125	8,978	26,935	140,394
Trade payables	47,654	–	–	–
Notes payables	50,000	–	–	–
Other payables	24,167	–	–	–
	304,946	8,978	26,935	140,394

(d) Concentration risk

Revenue of the Group is principally derived from Shandong Ishine and Luxing Titanium which own the operating mines of the Group. Any disruptions to the operation of the mine may have a material adverse impact on the Group's financial position and results of operations.

During the year end 31 December 2016, 90% of the Group's revenue was derived from sales to the top five customers (2015: 59%). If these major customers terminate their business relationships with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations. Therefore management keeps closely monitoring transactions with these major customers.

(Amounts expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the years ended 31 December 2016 and 2015, the Group's strategy was to maintain the gearing ratio below 30%. The gearing ratios at 31 December 2016 and 2015 were as follows:

	As at 31 December	
	2016	2015
Total debt - total borrowings *(Note 24)*	**211,412**	270,827
Less: cash and cash equivalents *(Note 17)*	**(120,354)**	(98,090)
Net debt	**91,058**	172,737
Total equity	**531,157**	625,728
Total capital	**622,215**	798,465
Gearing ratio	**15%**	22%

The decrease in gearing ratio during the year ended 31 December 2016 resulted primarily from the decrease in total debt as a result of the repayment of borrowings and the decrease in restricted bank deposits, which led to the decrease in total borrowings and increase in cash and cash equivalents.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The Group's financial instruments carried at fair value as at 31 December 2016 are defined by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

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

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

The Group's financial assets at fair value through profit or loss and available-for-sale financial assets measured at fair value belong to level 1 investment.

The carrying amounts of the Group's financial assets including cash and cash equivalents, term deposits, restricted bank deposits, trade receivables, notes receivables, other receivables and financial liabilities including trade payables, other payables and short-term borrowings approximate their fair values due to their short maturities. The carrying amounts of long-term bonds approximate their fair values as the fluctuation of comparable interest rates with similar terms is relatively low.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(b) Impairment of inventory

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

(c) Impairment of receivables

Provision for impairment of receivables is determined based on the evaluation of the collectability of trade receivables, notes receivables and other receivables.

A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables, including past collection history of each counterparty, current creditworthiness and current market condition. The major customers of the Group are steel manufacturers and iron ore processing and trading companies in the neighbourhood area, which account for almost all of the Group's overdue receivables. Based on the prior dealing history, current financial position of these companies and prevailing market conditions, management expects losses from non-performance by these counterparties.

(d) Reserves

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

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

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

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

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

(ii) extent of required clean-up efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) identification of new remediation sites.

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

(f) Income taxes and deferred taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Critical judgements in applying the Group's accounting policies

Consolidation of entities in which the Group holds less than 50%

In November and December 2016, Ishine International completed the placement of a total of 118,106,687 ordinary shares to investors of which the Group did not acquire any new shares under this placement. Since then, the shareholding percentage of the Group in Ishine International was diluted from 60.44% to 30.22%.

The Directors considered that as at 31 December 2016, the Group has de facto control in Ishine International as the Group is the single largest shareholder in Ishine International, other shareholders of the Ishine International are disperse and there is no history of other shareholders forming a group to exercise their votes collectively, the Controlling Shareholder is the chairman of Ishine International and the Group has 67% voting rights in the board of directors of Ishine International.

5. SEGMENT INFORMATION

(a) General information

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

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

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

The SEM assesses the performance of the three reportable segments as follows:

(i) Shandong Ishine and Luxing Titanium, which were both incorporated in the PRC and are engaged in iron ore mining and processing, ilmenite ore mining and processing, sales of iron concentrates and titanium concentrates and the establishment of the full titanium industrial chain in the PRC;

(ii) Ever Grand, which was incorporated in the PRC and is principally engaged in finance lease business; and

(iii) Ishine International, which was incorporated in Australia and is engaged in the exploration of metal reserves in Australia.

(Amounts expressed in thousands of RMB unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

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

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. The amounts of segment information of Shandong Ishine, Luxing Titanium and Ever Grand, are denominated in RMB, while those for Ishine International are denominated in AUD. The segment information of Ishine International is translated into RMB for the reports used by the SEM.

Expenses, assets and liabilities of the holding companies (the Company, Alliance Worldwide Investment Limited ("Alliance Worldwide"), Fortune Shine Investment Limited ("Fortune Shine"), Shine Mining Investment Limited ("Shine Mining"), Ishine Mining International Limited ("Ishine Mining"), China Rongsheng Holdings Limited ("Rongsheng"), Alpha Charm Investments Limited ("Alpha Charm"), Grandson Holdings Limited ("Grandson"), Active Fortune Group Limited ("Active Fortune")), and Yishui Shengrong New Energy Limited ("Yishui Shengrong") (Note 33) in the Group are presented as 'Unallocated' in the segment information.

The segment information provided to the SEM for the years ended 31 December 2016 and 2015 is as follows:

	Shandong Ishine and Luxing Titanium	Ishine International	Ever Grand	Unallocated	Inter-segment elimination	Total
Year ended 31 December 2016						
Revenue	55,838	369	5,492	–	(3,451)	58,248
Tenement and exploration expenses	–	(289)	–	–	–	(289)
Gross profit	22	80	5,390	–	(3,451)	2,041
Finance income	2,983	–	12	–	–	2,995
Finance expenses	(11,647)	76	2	(18,249)	2,371	(27,447)
Impairment losses	(30,816)	–	–	–	–	(30,816)
– PPE	(36,163)	–	–	–	–	(36,163)
– Intangible assets	(3,137)	–	–	–	–	(3,137)
– Inventories	8,629	–	–	–	–	8,629
– Trade receivables	(145)	–	–	–	–	(145)
Income tax expense	(8,455)	–	–	–	–	(8,455)
Net loss	(84,366)	(669)	(1,466)	(31,554)	–	(118,055)
Segment assets and liabilities						
Total assets	792,974	7,564	188,607	776,711	(882,359)	883,497
Total liabilities	353,918	1,784	4,914	126,196	(134,472)	352,340
Other information						
Depreciation of PPE	(21,844)	(7)	–	(11)	–	(21,862)
Expenditures for non-current assets	6,928	–	–	871	–	7,799

(Amounts expressed in thousands of RMB unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

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

	Shandong Ishine and Luxing Titanium	Ishine International	Ever Grand	Unallocated	Inter-segment elimination	Total
Year ended 31 December 2015						
Revenue	289,201	3,123	5,103	–	(2,946)	294,481
Tenement and exploration expenses	–	(2,632)	–	–	–	(2,632)
Gross (loss)/profit	(37,294)	491	5,006	–	(2,946)	(34,743)
Finance income	2,353	1	99	–	–	2,453
Finance expenses	(16,319)	(8)	1	(10,676)	2,946	(24,056)
Impairment losses	(136,568)	(40)	–	–	–	(136,608)
– PPE	(35,017)	–	–	–	–	(35,017)
– Intangible assets	(70,037)	–	–	–	–	(70,037)
– Available-for-sale financial assets	–	(40)	–	–	–	(40)
– Inventories	(22,001)	–	–	–	–	(22,001)
– Trade receivables	(9,513)	–	–	–	–	(9,513)
Income tax credit	18,641	–	–	–	–	18,641
Net loss	(227,053)	(1,938)	(424)	(34,001)	–	(263,416)
Segment assets and liabilities						
Total assets	945,587	1,602	189,363	788,569	(857,900)	1,067,221
Total liabilities	533,501	2,309	4,204	114,567	(213,088)	441,493
Other information						
Depreciation of PPE	31,499	33	–	19	–	31,551
Expenditures for non-current assets	27,637	–	–	16	–	27,653

(Amounts expressed in thousands of RMB unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Mining infrastructures	Vehicles, equipment and others	Construction in progress	Total
Year ended 31 December 2015					
Opening net book amount	84,738	119,864	130,021	57,303	391,926
Additions	–	21,332	214	6,107	27,653
Transferred from construction in progress	358	–	62	(420)	–
Written off or disposals – cost	–	–	(761)	–	(761)
Written off or disposals – accumulated depreciation	–	–	684	–	684
Depreciation charge	(8,152)	(1,608)	(21,791)	–	(31,551)
Impairment charge *(Note 7(d) and 28(d))*	(4,993)	(16,201)	(13,823)	–	(35,017)
Effect of foreign exchange rate changes	–	–	(4)	–	(4)
Closing net book amount	71,951	123,387	94,602	62,990	352,930
At 31 December 2015					
Cost	126,014	161,049	215,580	62,990	565,633
Accumulated depreciation and impairment	(54,063)	(37,662)	(120,978)	–	(212,703)
Net book amount	71,951	123,387	94,602	62,990	352,930
Year ended 31 December 2016					
Opening net book amount	**71,951**	**123,387**	**94,602**	**62,990**	**352,930**
Additions	**578**	**–**	**–**	**7,221**	**7,799**
Written off or disposals – cost	**–**	**–**	**(5,605)**	**–**	**(5,605)**
Written off or disposals – accumulated depreciation	**–**	**–**	**5,038**	**–**	**5,038**
Depreciation charge	**(5,463)**	**(401)**	**(15,998)**	**–**	**(21,862)**
Impairment charge *(Note 7(d) and 28(d))*	**(9,441)**	**(16,478)**	**(10,244)**	**–**	**(36,163)**
Closing net book amount	**57,625**	**106,508**	**67,793**	**70,211**	**302,137**
At 31 December 2016					
Cost	**126,592**	**161,049**	**209,975**	**70,211**	**567,827**
Accumulated depreciation and impairment	**(68,967)**	**(54,541)**	**(142,182)**	**–**	**(265,690)**
Net book amount	**57,625**	**106,508**	**67,793**	**70,211**	**302,137**

Depreciation expenses of RMB163,000 (2015: RMB4,740,000) has been charged in 'costs of sales', RMB19,866,000 (2015: RMB23,311,000) in 'administrative expenses' (Note 28), RMB1,833,000 (2015: RMB1,518,000) in 'inventories', and nil (2015: RMB1,982,000) in 'construction in progress', respectively.

(Amounts expressed in thousands of RMB unless otherwise stated)

7. INTANGIBLE ASSETS

	Exploration rights (a)	Exploration and evaluation assets (b)	Mining rights (c)	Total
Year ended 31 December 2015				
Opening net book amount	4,750	16,142	110,474	131,366
Amortisation charge	–	–	(42)	(42)
Impairment charge (d)	(4,750)	(16,142)	(49,145)	(70,037)
Closing net book amount	–	–	61,287	61,287
At 31 December 2015				
Cost	10,902	16,142	123,327	150,371
Accumulated amortisation and impairment	(10,902)	(16,142)	(62,040)	(89,084)
Net book amount	–	–	61,287	61,287
Year ended 31 December 2016				
Opening net book amount	–	–	61,287	61,287
Amortisation charge	–	–	–	–
Impairment charge (d)	–	–	(3,137)	(3,137)
Effect of foreign exchange rate changes	–	–	–	–
Closing net book amount	–	–	58,150	58,150
At 31 December 2016				
Cost	10,902	16,142	123,327	150,371
Accumulated amortisation and impairment	(10,902)	(16,142)	(65,177)	(92,221)
Net book amount	–	–	58,150	58,150

(a) Exploration rights consist of:

(i) an exploration right of an iron ore mine in Shandong Province, the PRC, acquired by the Group in 2008 at consideration of RMB4,750,000.

(ii) certain exploration tenements in Australia acquired by the Group in 2009 amounting to AUD1,226,100 (equivalent to RMB6,152,000).

All exploration rights have been fully impaired as at 31 December 2015 and 2016.

7. INTANGIBLE ASSETS (CONTINUED)

(b) Exploration and evaluation assets represent the capitalised expenditures incurred for application of the mining rights in Shandong Province, the PRC.

All exploration and evaluation assets have been fully impaired as at 31 December 2015 and 2016.

(c) As at 31 December 2016, bank borrowings were secured by a mining right of Shandong Ishine, in Shandong Province, the PRC (Note 24(b)).

(d) Due to an outlook of the market price of iron concentrates and ilmenite concentrates during the year ended 31 December 2016, management of the Group carried out an impairment test on the related assets of Shandong Ishine and Luxing Titanium respectively, which were considered as two separate CGUs.

As at 31 December 2016, management estimated the recoverable amounts of intangible assets and PPE related to Shandong Ishine and Luxing Titanium, comprising exploration rights, exploration and evaluation assets, mining rights, buildings and structures, mining infrastructures, vehicles, equipment and others.

The recoverable amounts of the CGUs were determined based on value-in-use calculations. These calculations used cash flow projections based on financial budgets approved by management covering a six-year period, which reflected cash flows from the sales of iron and ilmenite concentrates from the production of the mines of each CGU less estimated costs, discounted at 12.3%. Cash flows beyond the six-year period were extrapolated using a zero growth rate until the end of a twenty-year period. The key assumptions used in the value-in-use calculations in the year ended 31 December 2016 were as follows:

- Sales price - Sales price is based on current industry trends; and

- Discount rate - The discount rate used reflects specific risks relating to the CGUs.

(i) Impairment loss recognised on intangible assets

Impairment losses of RMB3,137,000 (2015: RMB45,592,000) have been included in the income statement (Note 28) during the year ended 31 December 2016 to write down the carrying amounts of intangible assets of Luxing Titanium to its recoverable amount of RMB58,150,000 (2015: RMB61,287,000) as at 31 December 2016.

Impairment loss of RMB24,445,000 has been included in the income statement during the year ended 31 December 2015 to write down the carrying amount of intangible assets of Shandong Ishine to its recoverable amount of nil as at 31 December 2015.

(ii) Impairment loss recognised on PPE

Impairment losses of RMB34,144,000 (2015: RMB4,997,000) (Note 6) and RMB2,019,000 (2015: RMB30,020,000) (Note 6) have been included in the income statement (Note 28) during the year ended 31 December 2016 to write down the carrying amounts of PPE of Shandong Ishine and Luxing Titanium to their recoverable amounts of RMB264,791,000 (2015: RMB312,547,000) and RMB36,465,000 (2015: RMB40,355,000), respectively, as at 31 December 2016.

(Amounts expressed in thousands of RMB unless otherwise stated)

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

lshine International held 7.8% of the ordinary share capital of Athena Resources Limited ("Athena", a company listed in Australian Securities Exchange), which was a former associate. As at 1 July 2011, Athena ceased to be the Company's associate as the Group no longer demonstrated significant influence due to the dilution of lshine International's equity interests in Athena and resignation of the Group's representative from the board of Athena as director. The movement in available-for-sale financial assets during the year is as follows:

	As at 31 December	
	2016	2015
At 1 January	**432**	416
Effect of foreign exchange rate changes	**43**	(24)
Gain from revaluation	**1,190**	80
Impairment loss (a)	**–**	(40)
At 31 December	**1,665**	432

(a) The fair value of such financial asset mentioned above has been determined by reference to published quotation in an active market. During the year ended 31 December 2015, AUD8,300 (equivalent to RMB40,000) were recognised as impairment loss on the basis that they were considered as permanent diminution in value.

9. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	As at 31 December	
	2016	2015
Deferred tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**14,152**	4,073
– Deferred income tax assets to be recovered within 12 months	**892**	4,359
	15,044	8,432
Deferred tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**(17,393)**	(2,146)
– Deferred income tax liabilities to be recovered within 12 months	**(40)**	(220)
	(17,433)	(2,366)
Deferred tax (liabilities)/assets (net)	**(2,389)**	6,066

(Amounts expressed in thousands of RMB unless otherwise stated)

9. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

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

	Year ended 31 December 2016	2015
At 1 January	**6,066**	(12,575)
(Charge)/credit to income statement *(Note 34)*	**(8,455)**	18,641
At 31 December	**(2,389)**	6,066

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

(a) Deferred income tax assets

	Provisions for close down, restoration and environmental costs	Tax losses	Impairment losses	Others	Total
At 31 December 2014	4,271	20,733	3,380	1,931	30,315
Credited/(charged) to the income statement	88	(7,137)	27,625	(1,531)	19,045
At 31 December 2015	4,359	13,596	31,005	400	49,360
Credited/(charged) to the income statement	291	(9,826)	2,307	(339)	(7,567)
At 31 December 2016	**4,650**	**3,770**	**33,312**	**61**	**41,793**

(Amounts expressed in thousands of RMB unless otherwise stated)

9. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Deferred income tax liabilities

	Depreciation of mining infrastructure	Fair value adjustment in business combination	Total
At 31 December 2014	(19,134)	(23,756)	(42,890)
(Charged)/credited to the income statement	(624)	220	(404)
At 31 December 2015	(19,758)	(23,536)	(43,294)
Charged to the income statement	(888)	–	(888)
At 31 December 2016	**(20,646)**	**(23,536)**	**(44,182)**

(i) Pursuant to the PRC corporate income tax law ("PRC CIT Law"), 10% withholding income tax ("WHT") will be levied on foreign investors for dividend distributions from foreign invested enterprises' profit earned after 1 January 2008. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applied. As at 31 December 2016, Shandong Ishine, the subsidiary of the Company incorporated in the PRC, with total retained earnings amounting to RMB35,504,000 will be subject to this withholding tax. The Group did not recognise the related deferred tax liabilities of RMB1,775,000 as at 31 December 2016, as the directors of the Company had foreseen that retained earnings up to 31 December 2016 of Shandong Ishine will not be distributed in the future.

(ii) As at 31 December 2016, the Group did not recognise deferred income tax assets of RMB16,622,000 (2015: RMB16,421,000) in respect of accumulated losses arising from Ishine International amounting to RMB55,407,000 (2015: RMB54,738,000) that can be carried forward indefinitely against future taxable income.

(iii) As at 31 December 2016, the Group did not recognise deferred income tax assets of RMB24,693,000 (2015: RMB16,040,000) in respect of accumulated losses arising from Shandong Ishine amounting to RMB164,620,000 (2015: RMB106,933,000), that can be carried forward against future taxable income in the next 5 years.

(iv) As at 31 December 2016, the Group did not recognise deferred income tax assets of RMB4,619,000 (2015: RMB2,336,000) in respect of accumulated losses arising from Luxing Titanium amounting to RMB18,474,000 (2015: RMB9,345,000), that can be carried forward against future taxable income in the next 5 years.

(v) As at 31 December 2016, in accordance with the earnings forcast, the Group reversed deferred income tax assets of RMB9,826,000 recognised for tax losses arising from Shandong Ishine in prior years, the amount reserved has been included in'income tax expense' in the consolidated statement of comprehensive income.

For the year ended 31 December 2016
(Amounts expressed in thousands of RMB unless otherwise stated)

10. LONG-TERM RECEIVABLES

	As at 31 December	
	2016	2015
Non-current receivables		
Finance leases – gross receivables	–	64,196
Unearned finance income	–	(5,932)
	–	58,264
Current receivables		
Finance leases – gross receivables	–	18,341
Unearned finance income	–	(3,652)
	–	14,689
Gross receivables from finance leases:		
– No later than 1 year	–	18,341
– Later than 1 year and no later than 5 years	–	64,196
		82,537
Unearned future finance income on finance leases	–	(9,584)
Net investment in finance leases	–	72,953
The net investment in finance leases may be analysed as follows:		
– No later than 1 year	–	14,689
– Later than 1 year and no later than 5 years	–	58,264
	–	72,953

On 3 January 2017, Ever Grand ceases the finance lease contract with Yishui Hesheng Minerals Processing Co.Ltd.,("Hesheng") (Note 40), which led to Ever Grand derecognise long-term receivables from Hesheng, and recorded the remaining balance as "current assets" under "other receivables" (Note 15) as at 31 December 2016.

The effective interest rate on long-term receivables was as follows:

	Year ended 31 December	
	2016	2015
Effective interest rate	–	5.51%

(Amounts expressed in thousands of RMB unless otherwise stated)

11. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2016	2015
Land restoration deposits	**3,790**	–
Prepaid taxes	**3,580**	–
	7,370	–

12. INVENTORIES

	As at 31 December	
	2016	2015
Raw materials		
– Iron ore and ilmenite ore	**12,428**	15,514
– Others	**5,228**	23,930
Finished goods	**5,067**	12,702
Spare parts and others	**9,552**	9,651
Provision for inventory	**–**	(22,001)
	32,275	39,796

For the year ended 31 December 2016, the costs of inventories recognised as ‘cost of sales’ amounted to RMB53,307,000 (2015: RMB316,199,000) (Note 28).

In the year ended 31 December 2016, upon sale of inventories with higher selling price, the Group reversed RMB10,984,000 of previous provision for inventory, the amount reversed has been included in ‘cost of sales’ in the consolidated statement of comprehensive income.

In the year ended 31 December 2016, upon consuming iron ore to produce iron concentrate, the Group reversed RMB2,388,000 of previous provision for inventory, the amount reversed has been included in ‘finished goods’ in the consolidated balance sheet.

Due to an increase in the market price of iron concentrates, the Group reversed RMB8,629,000 of the previous provision for inventory as at 31 December 2016.

For the year ended 31 December 2016
(Amounts expressed in thousands of RMB unless otherwise stated)

13. TRADE RECEIVABLES

	As at 31 December	
	2016	2015
Trade receivables	**87,077**	143,132
Less: allowance for impairment of trade receivables	**(9,658)**	(9,513)
Trade receivables – net	**77,419**	133,619

As at 31 December 2016 and 2015, the carrying amounts of the Group's trade receivables approximated their fair values.

The majority of the Group's sales are with credit terms of 90 days. As of 31 December 2016, trade receivables of RMB74,362,000 were past due but not impaired (2015: RMB73,597,000). At 31 December 2016 and 2015, the ageing analysis of trade receivables was as follows:

	As at 31 December	
	2016	2015
Within 3 months	**3,057**	63,252
3 to 6 months	**–**	6,033
6 months to 1 year	**2,344**	28,037
Over 1 year	**81,676**	45,810
	87,077	143,132

As of 31 December 2016, a provision of RMB9,658,000 (2015: RMB9,513,000) was provided for impairment of trade receivables.

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

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

	Year ended 31 December	
	2016	2015
At 1 January	**9,513**	-
Provision for trade receivables impairment	**145**	9,513
At 31 December	**9,658**	9,513

The creation of provision for impaired receivables has been included in the income statement (Note 28). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

(Amounts expressed in thousands of RMB unless otherwise stated)

13. TRADE RECEIVABLES (CONTINUED)

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables.

As at 31 December 2016, no trade receivables were secured as collateral for bank borrowings (2015: bank borrowings were secured by trade receivables with carrying amount of RMB60,385,000) (Note 24(b)).

14. NOTES RECEIVABLES

	As at 31 December	
	2016	2015
Bank acceptance notes	**7,000**	75,800
Trade acceptance notes	**–**	16,000
	7,000	91,800

The ageing of bank acceptance notes is within 12 months and 6 months as at 31 December 2016 and 2015, respectively.

As at 31 December 2016 and 2015, the carrying amounts of the Group's notes receivables approximated their fair values.

15. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
Advance to suppliers (a)	**54,212**	12,002
Prepaid taxes	**9,651**	9,635
Land restoration deposits	**2,571**	7,098
Undeducted input VAT	**3,321**	3,847
Advance to employees	**929**	1,133
Loans to Hesheng *(Note 10)*	**58,264**	–
Others	**4,827**	6,272
	133,775	39,987

(a) As of 31 December 2016 and 2015, advance to suppliers mainly comprised prepayments to suppliers for purchasing coarse iron powder and to mining contractors.

For the year ended 31 December 2016
(Amounts expressed in thousands of RMB unless otherwise stated)

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2016	2015
Debt securities - held for trading	–	22,895

FVPL are presented within 'operating activities' as part of changes in working capital in the statement of cash flows (Note 37).

Changes in fair values of FVPL are recorded in 'other gains/(losses) - net' in the statement of comprehensive income (Note 31).

The fair value of all debt securities was based on their current bid prices in an active market.

As at 31 December 2016, the Group has disposed all debt securities it held.

17. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED BANK DEPOSITS

	As at 31 December 2016	2015
Cash and cash equivalents		
– Cash on hand	367	336
– Cash at bank	119,987	97,754
	120,354	98,090
Term deposits – maturity over 3 months	100,000	100,000
Restricted bank deposits		
– Deposits for bank acceptance notes	25,000	45,000
– Deposits for land restoration	3,308	–
	28,308	45,000
	248,662	243,090

(Amounts expressed in thousands of RMB unless otherwise stated)

17. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED BANK DEPOSITS (CONTINUED)

Cash and cash equivalents, term deposits and restricted bank deposits are denominated in the following currencies:

	As at 31 December	
	2016	2015
RMB	**202,289**	218,973
HKD	**9,869**	12,219
USD	**30,680**	10,948
AUD	**5,824**	950
	248,662	243,090

RMB is currently not a freely convertible currency in international market. The conversion of RMB into foreign currency and remittance of RMB out of the PRC are subject to the rules and regulations of exchange controls promulgated by the PRC authorities.

18. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Share capital	Share premium	Total
At 31 December 2014	3,907,857,920	6,314	467,382	473,696
Exercise of warrants *(Note 36)*	127,000,000	201	34,937	35,138
Proceeds from shares issued (a)	392,000,000	621	118,611	119,232
At 31 December 2015	4,426,857,920	7,136	620,930	628,066
Repurchase of shares (b)	(29,528,000)	(50)	(4,919)	(4,969)
Proceeds from shares issued (c) (d)	219,050,000	378	20,918	21,296
At 31 December 2016	**4,616,379,920**	**7,464**	**636,929**	**644,393**

(a) On 1 March 2015, the Company entered into a subscription agreement with X. Mining Resources Group Limited, a third-party company incorporated in BVI with limited liability (the "Subscriber"), pursuant to which the Subscriber has agreed to subscribe for and the Company has agreed to issue and allot 392,000,000 shares (the "Subscription Shares") in cash at the share subscription price of RMB0.304 (equivalent to approximately HKD0.384) per Subscription Share. On 16 March 2015, pursuant to the subscription agreement, the Subscriber successfully subscribed for 392,000,000 Subscription Shares.

(b) Repurchase of shares

The Group purchased 29,528,000 of its own shares on The Stock Exchange of Hong Kong Limited in January and February 2016 and cancelled the shares in March 2016. The total amount paid to purchase the shares was HKD5,887,000 (equivalent to RMB4,969,000) and has been deducted from shareholders' equity.

(Amounts expressed in thousands of RMB unless otherwise stated)

18. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

(c) On 1 August 2016, the Company entered into a placing agreement with Chaoshang Securities Limited ("the Placing Agent"), in relation to the placing of placing shares. Pursuant to the placing agreement, the Company has conditionally agreed to place up to 600,000,000 placing shares at the placing price of RMB0.0944 (equal to HKD0.11) per placing share. And the placing was completed on 24 August 2016. An aggregate of 121,800,000 placing shares have been placed to six placees who are independent third parties, at the placing price. The net proceeds from the placing was approximately HKD12,700,000.

(d) On 31 August 2016, the Company entered into another placing agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place up to 400,000,000 placing shares at the placing price of RMB0.107 (equal to HKD0.124) per placing share. And the placing was completed on 21 September 2016. An aggregate of 97,250,000 placing shares have been placed to not less than six places who are independent third parties, at the placing price. The net proceeds from the placing was approximately HKD11,500,000.

19. RESERVES

	Merger reserve (a)	Capital reserve	Statutory reserve fund (b)	Safety fund (c)	Future development fund (d)	Share-based payment reserve	Available-for-sale investments	Translation	Total
At 31 December 2014	(162,269)	50,941	48,483	71,353	44,007	13,081	–	(401)	65,195
Appropriations/(utilisations)	–	–	–	2,228	(17,590)	–	–	–	(15,362)
Change in value on available-for-sale financial assets	–	–	–	–	–	–	56	–	56
Share-based payments	–	–	–	–	–	15,734	–	–	15,734
Exercise of warrants *(Note 36)*	–	–	–	–	–	(1,210)	–	–	(1,210)
Currency translation differences	–	–	–	–	–	–	–	(25)	(25)
At 31 December 2015	(162,269)	50,941	48,483	73,581	26,417	27,605	56	(426)	64,388
Utilisations	–	–	–	(160)	(23)	–	–	–	(183)
Change in value on available-for-sale financial assets	–	–	–	–	–	–	360	–	360
Contribution from non-controlling shareholders	–	2,188	–	–	–	–	–	–	2,188
Currency translation differences	–	–	–	–	–	–	–	(27)	(27)
At 31 December 2016	**(162,269)**	**53,129**	**48,483**	**73,421**	**26,394**	**27,605**	**416**	**(453)**	**66,726**

(a) Merger reserve

Merger reserve represents the difference between share capital and share premium issued by the Company for the acquisition of the subsidiaries pursuant to a reorganisation for IPO purpose and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation.

(Amounts expressed in thousands of RMB unless otherwise stated)

19. RESERVES (CONTINUED)

(b) Statutory reserve fund

In accordance with the PRC Company Law and Shandong Ishine, Luxing Titanium and Ever Grand's articles of association, Shandong Ishine, Luxing Titanium and Ever Grand are required to allocate 10% of their net profit as determined in accordance with the relevant accounting principles and financial regulations applicable to the PRC companies ("PRC GAAP") and regulations applicable to Shandong Ishine, Luxing Titanium and Ever Grand, to the statutory reserve fund until such reserve reaches 50% of their respective registered capital. The appropriation to the reserve must be made before any distribution of dividends to owners. The statutory reserve can be used to offset losses arising from previous years, if any, and part of the statutory surplus reserve can be capitalised as Shandong Ishine, Luxing Titanium and Ever Grand's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of their respective share capital.

For the years ended 31 December 2016 and 2015, Shandong Ishine, Luxing Titanium and Ever Grand did not appropriate to the statutory reserve fund due to their losses for the respective years.

(c) Safety fund

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, Shandong Ishine and Luxing Titanium are required to appropriate to a safety fund at RMB8 per ton of iron ore and ilmenite ore mined. The fund can be used for improvements of safety of mines, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditures, Shandong Ishine and Luxing Titanium are eligible to transfer the equivalent amount of the expenditures from safety fund to retained earnings.

(d) Future development fund

Pursuant to the relevant PRC regulations, Shandong Ishine and Luxing Titanium are required to appropriate to a future development fund at RMB15 per ton of iron ore and ilmenite ore mined. The fund can be used for future development of the iron ore and ilmenite ore mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditures, Shandong Ishine and Luxing Titanium are eligible to transfer the equivalent amount of the expenditures from future development fund to retained earnings.

20. ACCUMULATED LOSSES

At 31 December 2014	177,900
Loss for the year	(261,414)
Transfer from reserves *(Note 19(c) and (d))*	15,362
At 31 December 2015	(68,152)
Loss for the year	(117,240)
Transfer from reserves *(Note 19(c) and (d))*	183
At 31 December 2016	**(185,209)**

For the year ended 31 December 2016
(Amounts expressed in thousands of RMB unless otherwise stated)

21. TRADE PAYABLES

	As at 31 December	
	2016	2015
Trade payables	**19,447**	47,654

At 31 December 2016 and 2015, the ageing analysis of trade payables was as follows:

	As at 31 December	
	2016	2015
Within 6 months	**8,192**	23,543
6 months to 1 year	**958**	9,203
Over 1 year	**10,297**	14,908
	19,447	47,654

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

As at 31 December 2016 and 2015, the carrying amounts of trade payables approximated their fair values.

22. NOTES PAYABLES

	As at 31 December	
	2016	2015
Bank acceptance notes	**20,000**	50,000

The ageing of notes payables is within 6 months.

As at 31 December 2016 and 2015, the carrying amounts of the Group's notes payables approximated their fair values.

(Amounts expressed in thousands of RMB unless otherwise stated)

23. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2016	2015
Advance construction funds from government	**18,856**	11,124
Guarantee deposits	**10,247**	10,488
Accrued land compensation costs	**10,492**	6,780
Employee benefits payable	**5,523**	4,631
Interest payable	**4,005**	3,319
Other taxes payable	**2,198**	2,310
Accrued audit fee	**1,760**	944
Accrued other professional service and consulting fee	**1,273**	979
Deposits and receipts in advance	**–**	156
Others	**1,000**	1,657
	55,354	42,388

24. BORROWINGS

	As at 31 December	
	2016	2015
Non-current		
Bonds	**111,412**	100,827
Current		
Bank borrowings	**100,000**	170,000
Total Borrowings	**211,412**	270,827
Representing:		
Unsecured		
– Bonds wholly payable after 7.5 years (a)	**111,412**	100,827
Secured		
– Pledged (b)	**100,000**	140,000
– Guaranteed (c)	**–**	30,000
	211,412	270,827

All the Group's borrowings bear a weighted average effective interest rate of 8.03% annually (2015: 6.68% annually).

The Group's bonds will mature in 2023.

(Amounts expressed in thousands of RMB unless otherwise stated)

24. BORROWINGS (CONTINUED)

At 31 December 2016 and 2015, the Group's borrowings were repayable as follows:

	As at 31 December	
	2016	2015
Within 6 months	**80,000**	110,000
6 months to 1 year	**20,000**	60,000
Over 5 years	**111,412**	100,827
	211,412	270,827

As at 31 December 2016 and 2015, the carrying amounts of the Group's borrowings approximated their fair values.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2016	2015
RMB	**100,000**	170,000
HKD	**111,412**	100,827
	211,412	270,827

(a) Unsecured bonds

During the years ended 31 December 2015 and 2014, the Company issued bonds to several independent third parties with a coupon rate of 7.00% per annum, payable in 7.5 years from the respective issue dates.

As at 31 December 2016 and 2015, the aggregate carrying amount of the bonds was HKD124,551,000 (equivalent to RMB111,412,000) and HKD120,350,000 (equivalent to RMB100,827,000), approximating their fair values, respectively. The fair values are determined using the expected future payments discounted at an effective interest rate between 11.07% and 11.55% per annum.

(b) Pledged bank borrowings

(i) As at 31 December 2016, bank borrowings of RMB100,000,000 (2015: RMB100,000,000) were secured by a mining right of Shandong Ishine, in Shandong Province, the PRC (Note 7(c)).

(ii) As at 31 December 2015, bank borrowings of RMB40,000,000 were secured by a mining right of Shandong Ishine, in Shandong Province, the PRC (Note 7(c)), and trade receivables with carrying amount of RMB60,385,000 (Note 13).

(Amounts expressed in thousands of RMB unless otherwise stated)

24. BORROWINGS (CONTINUED)

(c) Guaranteed bank borrowings

As at 31 December 2015, the following borrowings of the Group were guaranteed by certain third parties:

	As at 31 December 2016	2015
Guaranteed by third party		
– Hesheng	–	30,000

25. PROVISIONS FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	As at 31 December 2016	2015
At 1 January	25,759	24,654
Additional provisions	–	–
Unwinding of discount charged to the income statement *(Note 32)*	1,406	1,341
Utilised during the year	(173)	(236)
At 31 December	26,992	25,759

A provision is recognised for the present value of costs to be incurred for the restoration of the damaged lands at the mining sites due to mining activities and the removal of the processing plants. These costs have been determined by management based on their past experience and best estimate of future cash flows by discounting the expected expenditures to their net present value. As the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associate costs may be subject to revision in the future. The amounts provided as close down, restoration and environmental costs are reviewed at least annually based upon the facts and circumstances available at the time and provisions are updated accordingly.

26. DIVIDENDS

A dividend of HKD1,596,000 (equivalent to RMB1,337,000) in respect of the year ended 31 December 2012 was paid in January 2016.

At a meeting held on 30 March 2017, the Board of Directors did not recommend a final dividend for the year ended 31 December 2016 (2015: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016
(Amounts expressed in thousands of RMB unless otherwise stated)

27. REVENUE

	Year ended 31 December	
	2016	2015
Production		
– Sales of iron concentrates	**3,591**	105,500
– Sales of titanium concentrates	**6,781**	9
Trading		
– Sales of coarse iron powder	**44,386**	183,692
Rental		
– Finance lease	**3,122**	2,157
Others	**368**	3,123
	58,248	294,481

28. EXPENSES BY NATURE

	Year ended 31 December	
	2016	2015
Changes in inventories of finished goods, iron ore and ilmenite ore	**6,141**	30,868
Raw materials used for trading	**45,671**	205,115
Raw materials used for production	**897**	61,682
Payments to mining contractors	**–**	17,405
Spare parts and others	**598**	1,129
Employee benefit expense *(Note 29)*	**8,236**	14,180
Land compensation expenses	**8,136**	11,326
Depreciation *(Note 6)*	**20,029**	28,051
Amortisation *(Note 7)*	**–**	42
Impairment in PPE *(Note 6)*	**36,163**	35,017
Impairment in intangible assets *(Note 7)*	**3,137**	70,037
Impairment in available-for-sale financial assets *(Note 8)*	**–**	40
Inventory provision (reversal)/write-down *(Note 12)*	**(8,629)**	22,001
Impairment in trade receivables *(Note 13)*	**145**	9,513
Transportation expenses	**1,384**	6,718
Utilities and electricity	**2,663**	6,175
Professional fees	**3,595**	4,478
Auditors' remuneration		
– Audit services	**2,925**	3,355
– Non-audit services	**–**	–
Travelling expenses	**2,875**	2,904
Rental and insurance fee	**2,106**	2,438
Resources tax	**–**	2,042
Other expenses	**8,708**	8,216
Total cost of sales, distribution expenses and administrative expenses	**144,780**	542,732

(Amounts expressed in thousands of RMB unless otherwise stated)

29. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December 2016	2015
Wages, salaries and allowances	**6,799**	11,787
Pensions and others welfare expenses	**1,437**	2,393
	8,236	14,180

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2015: three) directors whose emoluments are reflected in the analysis shown in Note 42. The emoluments payable to the remaining two (2015: two) individuals during the year are as follows:

	Year ended 31 December 2016	2015
Basic salaries and allowances	**1,026**	1,096
Contribution to pension scheme	**15**	55
	1,041	1,151

The emoluments of the five highest paid individuals fell within the following band:

	Number of individuals Year ended 31 December 2016	2015
Emolument band		
HKD500,000 and below	**2**	–
HKD500,001 – HKD1,000,000	**2**	5
HKD1,000,001 – HKD1,500,000	**1**	–

30. OTHER (LOSS)/INCOME

	Year ended 31 December 2016	2015
Interest income on FVPL	**1,322**	477
Loss on disposal of FVPL	**(1,652)**	(263)
Transaction costs related to FVPL	**(2)**	(1)
	(332)	213

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016
(Amounts expressed in thousands of RMB unless otherwise stated)

31. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December 2016	2015
FVPL - fair value gains	–	236
(Losses)/gains on disposal of PPE	(323)	423
Government grants	2,117	400
Loss on issuance of non-listed warrants *(Note 36)*	–	(13,484)
Others	(78)	9
	1,716	(12,416)

32. FINANCE EXPENSES – NET

	Year ended 31 December 2016	2015
Interest expense:		
– Borrowings	(19,843)	(19,880)
– Provisions: unwinding of discount *(Note 25)*	(1,406)	(1,341)
– Discount of bank acceptance notes	(907)	(2,622)
– Others	(245)	(449)
Net foreign exchange (losses)/ gains	(5,046)	236
Finance expenses	(27,447)	(24,056)
Finance income:		
– Interest income on bank deposits	2,995	2,453
Net finance expenses	(24,452)	(21,603)

(Amounts expressed in thousands of RMB unless otherwise stated)

33. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2016 (expressed in dollar of respective currency):

Company name	Place and date of incorporation	Principal activities	Type of legal entity	Issued/paid-up capital	Equity interest attributable to the Group
Directly held:					
Alliance Worldwide	BVI/ 29 November 2010	Investment holding	Limited liability company	USD50,000	100%
Active Fortune	BVI/ 10 November 2014	Investment holding	Limited liability company	HKD7.76	100%
Rongsheng	Cayman Islands/ 27 March 2015	Investment holding	Limited liability company	HKD0.06	100%
Indirectly held:					
Fortune Shine	Cayman Islands/ 21 September 2010	Investment holding	Limited liability company	USD50,000	100%
Shine Mining	Hong Kong/ 1 November 2010	Investment holding	Limited liability company	HKD10,000	100%
Ishine Mining	Hong Kong/ 22 December 2010	Investment holding	Limited liability company	HKD10,000	100%
Shandong Ishine	the PRC/ 4 December 2001	Iron ore mining, processing and sales of iron concentrates	Limited liability company	USD42,614,183	100%
Ishine International (a)	Australia/ 18 September 2009	Exploration of metal reserves	Limited liability company	AUD8,818,079	30.22%
Luxing Titanium	the PRC/ 2 July 2008	Ilmenite ore mining, processing and sales of iron and titanium concentrates	Limited liability company	RMB22,000,000	95%
Alpha Charm	BVI/ 10 November 2014	Investment holding	Limited liability company	USD1	100%
Grandson	Hong Kong/ 3 October 2014	Investment holding	Limited liability company	HKD1	100%
Ever Grand	the PRC/ 3 April 2015	Finance lease	Limited liability company	USD30,000,000	100%
Yishui Shengrong (b)	The PRC/ 9 October 2015	Wind power generation	Limited liability company	RMB125,000,000	100%

As at 31 December 2016 and for the year ended 31 December 2016, there were no significant non-controlling interests of the subsidiaries in the Group.

(Amounts expressed in thousands of RMB unless otherwise stated)

33. SUBSIDIARIES (CONTINUED)

(a) Although the Group owns less than half of the equity interests in Ishine International, it is able to gain power over more than one half of the voting rights in the board of directors. Consequently, the Group consolidates Ishine International.

(b) On 29 September 2016, the Group acquired Yishui Shengrong through Shandong Ishine, a subsidiary of the Company, and Yishui Shengrong has become an indirect wholly owned subsidiary of the Company.

As Yishui Shengrong has no economic resource that creates, or has the ability to create, an output when one or more processes are applied to it at the purchase date, such acquisition is defined as a purchase of assets.

In November and December 2016, Yishui Shengrong received injection amounting to RMB125,000,000 from Ever Grand, a subsidiary of the Company.

34. INCOME TAX (EXPENSE)/CREDIT

	Year ended 31 December	
	2016	2015
Deferred tax *(Note 9):*		
Origination and reversal of temporary differences	**(8,455)**	18,641

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

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

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the years ended 31 December 2016 and 2015.

Australia corporation income tax rate is 30%. Australia corporation income tax has not been provided for the subsidiary in Australia as there is no estimated assessable profit arising in or derived from Australia during the years ended 31 December 2016 and 2015.

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

In December 2015, Shandong Ishine was awarded with the National High-Tech Enterprise qualification. Pursuant to the related regulations, Shandong Ishine was entitled to the income tax rate of 15%, effective from 1 January 2016, and the relevant deferred tax balances have been re-measured as at 31 December 2015.

(Amounts expressed in thousands of RMB unless otherwise stated)

34. INCOME TAX (EXPENSE)/CREDIT (CONTINUED)

The tax rate for the Company's other PRC subsidiaries, Luxing Titanium and Ever Grand, was 25% for the year ended 31 December 2016.

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

	Year ended 31 December	
	2016	2015
Loss before tax	**(109,600)**	(282,057)
Tax calculated at domestic tax rates applicable to losses in the respective countries	**13,069**	62,039
Tax effects of:		
– Expenses not deductible for tax purposes	**(162)**	(133)
– Tax losses for which no deferred income tax asset was recognised	**(11,536)**	(18,974)
Re-measurement of deferred tax - change in the tax rate	**–**	(24,291)
Reversal of deferred income tax assets recognised in prior years *(Note 9(b))*	**(9,826)**	–
Tax (charge)/credit	**(8,455)**	18,641

35. LOSSES PER SHARE

(a) Basic

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

	Year ended 31 December	
	2016	2015
Loss attributable to owners of the Company	**(117,240)**	(261,414)
Weighted average number of ordinary shares in issue	**4,468,948,029**	4,310,255,180
Basic losses per share (Expressed in RMB per share)	**(0.03)**	(0.06)

(b) Diluted

As at 31 December 2016, there were no dilutive instruments of the Company.

As at December 2015, there were unexercised warrants that would potentially have a dilutive impact in the future but were anti-dilutive due to the losses for the year ended 31 December 2015.

For the years ended 31 December 2016 and 2015, the diluted losses per share were calculated in the same way as basic losses per share.

For the year ended 31 December 2016
(Amounts expressed in thousands of RMB unless otherwise stated)

36. SHARE-BASED PAYMENTS

On 1 June 2015, the Company issued 140,000,000 non-listed warrants (the "2015 Warrants") to X. Mining Resources Group Limited at par value of RMB0.0016 each. Each warrant entitles the holder to subscribe for one new share of the Company at an exercise price of RMB0.319 at any time for a period of 12 months from the date of issue.

The 2015 Warrants were recognised at fair value, determined based on the valuations performed by the independent professionally qualified valuers using the Binominal Model with the following key assumptions:

	Issue date as at 1 June 2015
Exercise price	RMB0.319
Share price	HKD0.495
Volatility	52.43%
Remaining life	12 months
Risk free interest rate	0.07%

The Warrants were measured at fair value of HKD19,880,000 (equivalent to RMB15,695,000) at initial recognition, and were credited to share-based payment reserve in accordance with HKFRS 2. The excess of the fair value of the 2015 Warrants over the consideration of HKD2,800,000 (equivalent to RMB2,211,000) received, amounting to HKD17,080,000 (equivalent to RMB13,484,000) was recorded in 'other losses - net' in the income statement for the year ended 31 December 2015 (Note 31).

During the year ended 31 December 2016, no warrants were issued or exercised.

As at 31 December 2016, the 2015 Warrants have expired.

(Amounts expressed in thousands of RMB unless otherwise stated)

37. CASH GENERATED FROM/(USED IN) OPERATIONS

	Year ended 31 December	
	2016	2015
Loss before income tax	**(109,600)**	(282,057)
Adjustments for:		
– Depreciation *(Note 6)*	**20,029**	28,051
– Amortisation *(Note 7)*	**–**	42
– Amortisation of deferred income	**(40)**	–
– Impairment losses *(Note 28)*	**30,816**	136,608
– Loss/(gain) on disposal of PPE (a)	**323**	(423)
– Share-based payment	**–**	15,752
– Fair value gains on FVPL *(Note 31)*	**–**	(236)
– Interest income on FVPL *(Note 30)*	**(1,322)**	(477)
– Interest expense on bank borrowings *(Note 32)*	**19,843**	19,880
– Interest expense on unwinding of discount *(Note 32)*	**1,406**	1,341
– Interest income *(Note 31)*	**(2,995)**	(2,453)
– Exchange losses	**7,034**	–
Changes in working capital:		
– Inventories	**17,983**	18,506
– Trade receivables	**56,055**	57,996
– Notes receivables	**84,800**	(60,050)
– Prepayments and other receivables	**(101,158)**	20,441
– FVPL *(Note 16)*	**22,895**	(22,333)
– Long-term receivables *(Note 10)*	**72,953**	(72,953)
– Trade payables	**(30,404)**	6,128
– Notes payables	**(30,000)**	49,370
– Accruals and other payables	**4,548**	94
– Provision for close down, restoration and environmental costs *(Note 25)*	**(173)**	(236)
Cash generated from/(used in) operations	**62,993**	(87,009)

(a) In the statement of cash flows, proceeds from disposal of PPE comprise:

	Year ended 31 December	
	2016	2015
Net book amount *(Note 6)*	**567**	77
Loss/(gain) on disposal of PPE *(Note 31)*	**(323)**	423
Net off with trade payables	**–**	(500)
Proceeds from disposal of PPE	**244**	–

(Amounts expressed in thousands of RMB unless otherwise stated)

38. COMMITMENTS

(a) Exploration commitment

Ishine International has obligations under the exploration license to spend a minimum amount of exploration expenditures on the projects. The obligations may vary from time to time subject to the approval from the relevant government authorities in Australia. Due to the nature of Ishine International's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditures beyond the next year end. Expenditures may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or entering into any new joint venture agreements. Expenditures may be increased when new tenements are granted or joint venture agreements amended.

The existing tenement commitments in accordance with the contracts are as follows:

	As at 31 December	
	2016	2015
No later than 1 year	**150**	2,165
1 to 3 years	**–**	189
	150	2,354

(b) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December	
	2016	2015
PPE	**5,712**	5,812

(Amounts expressed in thousands of RMB unless otherwise stated)

39. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Group and their close family members are also considered as related parties.

(a) During the years ended 31 December 2016 and 2015, the Company's directors were of the view that the following individual was a related party of the Group:

Name of related party	Nature of relationship
Mr. Li Yunde	The Controlling Shareholder

(b) Significant transactions with related parties

In 2016, the Group has no significant transactions with related parties.

(c) Key management compensation

Key management includes directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2016	2015
Wages, salaries and allowances	**3,248**	2,977
Contribution to pension scheme	**57**	26
	3,305	3,003

40. EVENTS AFTER THE REPORTING PERIOD

Termination of the finance lease contract

On 3 January 2017, Ever Grand signed a termination agreement to cease the finance lease contract with Hesheng. Such decision was already made by the management in December 2016, whereas the termination agreement was signed in January 2017. As at 31 December 2016, Ever Grand had a long-term receivable amounted to RMB58,264,000 under the finance lease contract, according to the termination agreement, such receivables should be repaid before 5 January 2017. Ever Grand derecognised long-term receivables from Hesheng, and recorded the remaining balance as other receivables (Note 15) as at 31 December 2016.

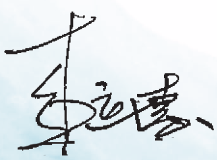
For the year ended 31 December 2016
(Amounts expressed in thousands of RMB unless otherwise stated)

41. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December 2016	2015
ASSETS		
Non-current assets		
PPE	2	13
Interest in subsidiaries	749,658	776,534
	749,660	776,547
Current assets		
Prepayments and other receivables	4,051	3,632
Cash and cash equivalents	31,333	9,076
	35,384	12,708
Total assets	785,044	789,255
EQUITY		
Equity attributable to owners of the Company		
Share capital and share premium	644,393	628,065
Reserves (a)	142,547	142,547
Accumulated losses (a)	(126,568)	(95,644)
Total equity	660,372	674,968
LIABILITIES		
Non-current liabilities		
Borrowings	111,412	100,827
Current liabilities		
Accruals and other payables	13,260	12,123
Dividend payables	–	1,337
	13,260	13,460
Total liabilities	124,672	114,287
Total equity and liabilities	785,044	789,255

The balance sheet of the Company was approved by the Board of Directors on 30 March 2017, and was signed on its behalf.



Executive Director

Executive Director

(Amounts expressed in thousands of RMB unless otherwise stated)

41. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Accumulated losses	Capital reserve	Share-based payment reserve
At 1 January 2015	(60,502)	119,549	8,513
Loss for the year	(35,142)	–	–
Recognition of equity-settled share-based payments	–	–	15,695
Exercise of warrants	–	–	(1,210)
At 31 December 2015	(95,644)	119,549	22,998
Loss for the year	(30,924)	–	–
Recognition of equity-settled share-based payments	–	–	–
Exercise of warrants	–	–	–
At 31 December 2016	**(126,568)**	**119,549**	**22,998**

42. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments for the years ended 31 December 2016 and 2015 are set out below:

	Year ended 31 December 2016	2015
Basic salaries and allowances	**2,489**	2,283
Contribution to pension scheme	**42**	42
	2,531	2,325

(Amounts expressed in thousands of RMB unless otherwise stated)

42. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of every director and the chief executive is set out below:

	Fees	Salary	Housing allowance	Pension-defined contribution plan	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Year ended 31 December 2016						
Executive Directors						
Li Yunde (李運德)	–	864	–	15	346	1,225
Geng Guohua (耿國華)	–	513	–	15	–	528
Lang Weiguo (郎偉國)	–	282	–	12	–	294
Independent Non-executive Directors						
Lin Chu Chang (林鉅昌)	218	–	–	–	–	218
Zhang Jingsheng (張涇生)	109	–	–	–	–	109
Li Xiaoyang (李曉陽)	109	–	–	–	–	109
Non-executive Directors						
Chau Ching (周靜)	48	–	–	–	–	48
Year ended 31 December 2015						
Executive Directors						
Li Yunde (李運德)	–	747	–	14	–	761
Geng Guohua (耿國華)	–	474	113	14	–	601
Lang Weiguo (郎偉國)	–	474	–	14	–	488
Independent Non-executive Directors						
Lin Chu Chang (林鉅昌)	237	–	–	–	–	237
Zhang Jingsheng (張涇生)	119	–	–	–	–	119
Li Xiaoyang (李曉陽)	119	–	–	–	–	119

During the year ended 31 December 2016, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office (2015: same).

42. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

No retirement benefits were paid to the directors during the year ended 31 December 2016 by defined benefit pension plans operated by the Group in respect of their services as directors of the Company and its subsidiaries in connection with the management of the affairs of the Company or its subsidiary undertaking (2015: same).

(c) Directors' termination benefits

No termination benefits were paid to the directors during the year ended 31 December 2016 as compensation for the termination of the appointment of directors (2015: same).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2016, no consideration was paid to the former employers of directors for making available the services of directors of the Company (2015: same).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings entered into by the Company or subsidiary undertaking of the Company in favour of directors during the year ended 31 December 2016 (2015: same).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: same).

Financial Highlights

A summary of the operational results, assets and liabilities, cash flows and other financial ratios information is as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**58,248**	294,481	426,082	667,904	871,521
Cost of sales	**(56,207)**	(329,224)	(425,238)	(524,245)	(718,715)
Gross (loss)/profit	**2,041**	(34,743)	844	143,659	152,806
Selling and distribution expenses	**(249)**	(3,034)	(4,371)	(12,521)	(10,973)
Administrative expenses	**(88,324)**	(210,474)	(55,346)	(47,960)	(49,044)
Finance costs, net	**(24,452)**	(21,603)	(21,818)	(29,938)	(33,727)
Share of loss of an associate	**–**	–	–	–	–
(Loss)/profit before tax	**(109,600)**	(282,057)	(96,452)	132,734	66,510
Income tax credit/(expense)	**(8,455)**	18,641	14,812	(23,627)	(24,113)
(Loss)/Profit attributable to:					
Owners of the Company	**(117,240)**	(261,414)	(78,661)	111,214	94,950
Non-controlling interests	**(815)**	(2,002)	(2,979)	(2,107)	(8,501)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	**499,131**	585,876	531,480	640,506	816,150
Non-current assets	**384,366**	481,345	532,622	521,339	245,489
Current liabilities	**196,002**	312,541	247,007	410,416	358,877
Non-current liabilities	**156,338**	128,952	96,907	49,226	110,186
Equity attributable to:					
Equity holders of the Company	**525,910**	624,302	716,791	695,912	588,008
Non-controlling interests	**5,247**	1,426	3,397	6,291	4,568

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from/(used in) operating activities	**51,707**	(101,274)	(43,921)	407,421	(17,210)
Net cash generated from/(used in) investing activities	**19,645**	(144,348)	29,632	(135,162)	(37,000)
Net cash (used in)/generated from financing activities	**(48,953)**	201,943	92,187	(289,900)	(65,765)

SELECTED FINANCIAL RATIOS

	For the year ended 31 December				
	2016	2015	2014	2013	2012
Gross profit/(loss) margin	**3.50%**	(11.8)%	0.2%	21.51%	17.5%
Net (loss)/profit margin	**(202.68)%**	(89.45)%	(19.16)%	16.34%	4.9%
Gearing ratio	**14.63%**	21.63%	10.00%	17.20%	31.06%