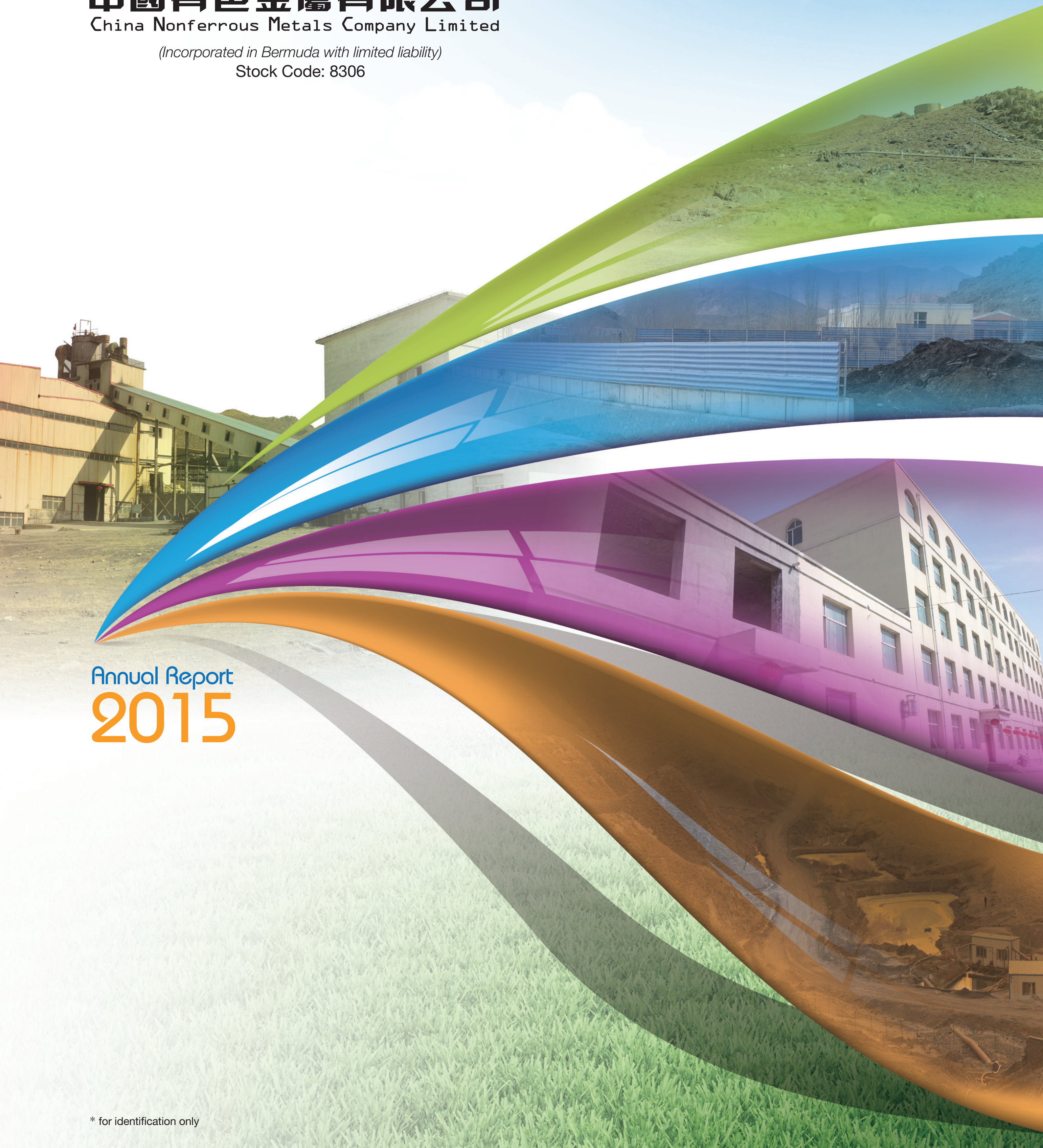
中國有色金屬有限公司*

China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8306



Annual Report 2015

* for identification only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. MEI Ping *(Chairman)* (suspended)
Ms. LIU Yaling

NON-EXECUTIVE DIRECTOR
Mr. CHAN Wai Cheung, Admiral

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. NG Man Kwan, Lawrence
Mr. CHENG Feng
Mr. SIU Kai Chun

COMPLIANCE OFFICER
Ms. LIU Yaling

COMPANY SECRETARY
Mr. IP Yiu Tak

AUDIT COMMITTEE
Mr. CHENG Feng *(Chairman)*
Mr. NG Man Kwan, Lawrence
Mr. SIU Kai Chun

REMUNERATION COMMITTEE
Mr. NG Man Kwan, Lawrence *(Chairman)*
Mr. CHENG Feng
Mr. CHAN Wai Cheung, Admiral

NOMINATION COMMITTEE
Mr. NG Man Kwan, Lawrence *(Chairman)*
Mr. CHENG Feng
Mr. CHAN Wai Cheung, Admiral

AUTHORISED REPRESENTATIVES
Ms. LIU Yaling
Mr. IP Yiu Tak

STOCK CODE
8306

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PRINCIPAL BANKER
Hang Seng Bank

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Jubilee Centre,
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Wanchai,
Hong Kong

FINANCIAL HIGHLIGHTS

	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**90,992**	126,076	383,283	339,650	526,577
Gross profit	**2,342**	10,225	13,877	35,844	60,785
(Loss)/profit attributable to owners of the Company	**(580,578)**	(176,080)	(259,140)	(17,322)	27,671
Equity attributable to owners of the Company	**346,141**	918,940	1,094,654	1,309,254	1,085,053
Total assets	**1,140,714**	1,790,859	2,008,295	2,195,736	2,080,121
Total liabilities	**794,573**	871,919	913,641	793,638	902,415

	2015	2014	2013	2012 (Restated)	2011 (Restated)
(Losses)/earnings per share (RMB cents) Basic and diluted	**(33.15)**	(10.05)	(14.80)	(1.60)	2.77

GROUP STRUCTURE

The Group structure with major subsidiaries as at 31 December 2015 is as follows:

CHINA NONFERROUS METALS COMPANY LIMITED
(Stock code: 8306)

- 100% China Nonferrous Metals Management Limited
- 100% Yongbao Resources Exploitation and Development Limited
  - 100% Straight Upward Investments Limited
    - 100% Sky King Development Limited
      - 100% Shenzhen City Ruirui Industrial Company Limited ("Ruirui")#
        - 100% Bameng Wuzhong Qi Jiashengpan Zinc, Lead, and Pyrite Resources Explortation Co., Limited ("Jiashengpan")#

The English translation of Chinese names or words in this report is included for information purposes only, and should not be regarded as the official English translation of such Chinese names or words.

CHAIRMAN'S STATEMENT

Dear Shareholders

The board (the "Board") of Directors hereby presents the operating results and other events of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015 as follows:

BUSINESS AND FINANCE REVIEW

In the year of 2015, due to the slow recovery of the global economy, the nonferrous industry continued to suffer from the instabilities and uncertainties as well as the significant adjustments to the global economy. In light of these tough challenges, downward pressure has remained on the prices of nonferrous metals and some bulk commodities today. Evidence shows that one of the world's largest mining companies will reduce over 50% of its workforce in a massive restructuring and partially are attributed to the deterioration of the People's Republic of China (the "PRC") market, the world's second largest economy. This company's half year result has recorded over GBP5 billion losses (2014: profit of GBP5.35 billion). In addition, the Purchase Managers' Index in the PRC has recorded a reading below 50 in the second half of 2015, indicating a downward trend. The GDP of the PRC had risen by 6.9% in the year of 2015, a large figure compared to that in the western countries but the lowest for the country since the financial crisis of 2009.

According to the data extracted from Shanghai Metals Exchange Markets website, the average price of zinc and lead was dropped by approximately 4.5% to RMB15,194 per tonne and approximately 5.2% to RMB13,101 per tonne as compared with their average prices in 2014. There was a significant drop in the price of zinc during the year of 2015 and it had attained its lowest price of approximately RMB12,000 per tonne comparing figures from the last five years figures. High finance cost and production cost were also factors primarily undermining the Group's performance. Furthermore, coupled with the excess production surplus and capacity, this has resulted in an imbalance between the supply and demand of nonferrous metals, the entire global nonferrous industry remained weak in 2015.

As a result, the Group's financial performance has been affected by the above factors. With the increasing production cost, turnover of the Group has decreased by 27.8% to approximately RMB91.0 million (2014: RMB126.1 million). The decrease was due to the decrease in the selling prices and sales quantities as well as the significant drop in the sale of the by-products: tailing mine and sulphuric acid. In view of the unfavourable factors, the Group has continued to adopt a stringent standard on its cost control so as to enhance production efficiency and safety measures.

OTHER EVENTS

In January 2015, the Company had issued an announcement regarding to the litigations and arbitration cases involving subsidiaries of the Company on the Stock Exchange. Mr. Mei Ping, an executive Director and the chairman of the Board, had signed several guarantor agreements under duress on behalf of Jiashengpan and Ruirui without the Board's approval and knowledge. In March 2016, the Group was aware of another writ of civil summon against Jiashengpan in connection with a loan taken out by Jiashengpan. Details of which are set out in the paragraph headed "LITIGATIONS AND CONTINGENT LIABILITIES" in the Management Discussion and Analysis section. Regarding the progress, please refer to a series of announcements of the Company dated 22 January 2015, 31 March 2015, 15 April 2015, 29 May 2015, 8 June 2015, 10 July 2015, 17 July 2015, 23 October 2015, 8 January 2016, 1 March 2016 and 18 March 2016, respectively.

Following the discovery of the litigations and arbitration cases, the Board proposed several preventive measures to ensure that the Group maintains sound and effective internal control to safeguard shareholders' investments and the Company's assets including, (i) the suspension of the duties of Mr. Mei Ping including his role as the chairman of the Company, legal representative, chairman and general manager of Jiashengpan; (ii) the establishment of a temporary decision-making committee consisting of three management personnel acting as the legal representative, chairman and general manager of Jiashengpan, responsible for making management decisions; (iii) the imposition of stringent internal control on the use of the official stamp in Jiashengpan and Ruirui; and (iv) the appointment of an external service provider to provide forensic accounting services to the Company in respect of the guarantees given by Jiashengpan and Ruirui in July 2015.

CHAIRMAN'S STATEMENT

PROSPECT

2015 is a year for the PRC to move towards the 13th Five-Year Plan, the implementation of the national policies is expected to give a new and dynamic prospect for the economy. The management is committed to continue identifying investment opportunities that can enhance and/or complement the Group's business development.

The recent data released by the National Bureau of Statistics of the PRC this year so far demonstrate a disappointed global economic performance. The growth of gross domestic product (GDP) of the PRC did not spark much surprise. It recorded a 6.9% growth year on year, which was the worst performance since 2009. Fixed asset investment, a key economic driver, continued to lose momentum, expanding just 10% year on year, marking the slowest growth in recent years.

China Nonferrous Metals Company Limited

31 March 2016

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Mei Ping (梅平) ("Mr. Mei"), aged 56, is an executive Director and the chairman of the Board. He voluntarily proposed to suspend his duty as the executive Director and chairman of the Board, pursuant to the Writs and Arbitration Cases (further details of which are set out in the announcement of the Company dated 22 January 2015). Mr. Mei graduated with a Bachelor's Degree in optical physics from Changchun Institute of Optics and Fine Mechanics, the PRC, in 1983. Mr. Mei also obtained a Master's Degree in automation from Beijing Aeronautical and Astronautical Institute, the PRC, in 1989. After graduation, Mr. Mei worked for the Ministry of Aviation Industry of the PRC with main research focused on metal fatigues in airplanes and ship fire controls. Thereafter, Mr. Mei worked in Ministry of Coal Industry of the PRC, and was primarily responsible for gas locking system for ventilation and power supply. Until 1993, Mr. Mei had worked in 13 different Mining Bureaus in the PRC including but not limited to Datong, Pingdingshan, and Huanan and was mainly responsible for the ventilation and safety management controls in mines. Mr. Mei also worked for Intel (China) Co. Ltd. during 1993 to 1995 and was responsible for the application of computer operating systems. Between 1995 and 2009, Mr. Mei worked as a ventilation and safety engineer for the Jinhuagong Coal Mine of Datong Mining Bureau; the general manager of Beijing Aotianshengye Trading Company Limited whose principal business is zinc and lead trading as well as being a manager for research in zinc lead pyrite processing techniques.

Ms. Liu Yaling (劉亞玲) ("Ms. Liu"), aged 43, is an executive Director and the general manager of the Company. Ms. Liu graduated from the Ocean University of Qingdao with a Bachelor's Degree in Ecology and a Master's Degree in Accounting from California State University, LA, USA. Ms. Liu is a member of the Chinese Institute of Certified Public Accountants. Prior to joining the Group as financial controller in November 2009, Ms. Liu was a manager of KPMG, Shenzhen, China. Ms. Liu was appointed as financial controller in November 2009 and was redesignated as general manager in June 2012. Ms. Liu is an independent director of Shenzhen Changhong Technology Co., Ltd. (stock code: SZ-300151), the shares of which are listed on the Shenzhen Stock Exchange.

NON-EXECUTIVE DIRECTOR

Mr. Chan Wai Cheung, Admiral (陳偉璋) ("Mr. Chan"), aged 42, is the non-executive Director. He was the financial controller of the Company for the period from June 2012 to November 2014. Mr. Chan obtained his Bachelor of Arts (Honours) in Accountancy from City University of Hong Kong. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has over 15 years of experience in the accounting and auditing field. Mr. Chan is an independent non-executive director of Jia Meng Holdings Limited (stock code: 8101), a company listed on the GEM. Mr. Chan is also an executive director of Energy International Investments Holdings Limited (stock code: 353) and an independent non-executive director of Carnival Group International Holdings Limited (stock code: 996), both of which are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Man Kwan, Lawrence (吳萬鈞) ("Mr. Ng"), aged 45, is an independent non-executive Director. He obtained his Master of Business Administration Degree from the University of Wales, Newport in the United Kingdom. Mr. Ng has over 20 years of knowledge of a wide range of financial products such as fixed income, wealth management and asset management business. Mr. Ng is currently the managing partner of Prince Fund Management Limited, mainly responsible for the using of derivative products for hedging and performing asset management analysis. He was a director responsible for asset management for Prince Capital Management Limited, a licensed corporation for asset management under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Mr. Ng has previously held senior positions at leading global financial institutions in Asia such as the American Express Bank Limited, DBS Bank Limited, Hong Leong Bank in Singapore and Fleet National Bank.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheng Feng (程峰) ("Mr. Cheng"), aged 43, is an independent non-executive Director. He obtained his diploma in Financial Accounting from Hubei College of Finance and Economics (湖北省財經高等專科學校), and his diploma in Financial Management from Hubei Economic Management Cadre Institute (湖北省經濟幹部管理學院). Mr. Cheng is a senior manager of the quality supervision department (質量監管部) in Ruihua Certified Public Accountants, responsible for conducting independent reviews of the operations of listed companies and proposed listed companies. Mr. Cheng is registered as a member of the Chinese Institute of Certified Public Accountants. He has over 15 years of experience in the accounting and auditing field.

Mr. Siu Kai Chun (蕭啟晉) (formerly known as Siu Kwok Yee (蕭國義)) ("Mr. Siu"), aged 47, is an independent non-executive Director. He is the chief financial officer and company secretary of Wang Tai Holdings Limited (stock code: 1400), a company listed on the main board of the Stock Exchange. Mr. Siu has over 17 years of experience in auditing, finance and accounting field. Mr. Siu graduated from City University of Hong Kong with a Bachelor's Degree in business studies in December 1994 and completed the Executive Master of Business Administration programme at Lingnan (University) College, Sun Yat-sen University (中山大學嶺南（大學）學院), Guangzhou, the PRC in November 2003. Mr. Siu is currently a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales.

SENIOR MANAGEMENT AND MANAGEMENT TEAM

Ms. Liu Yaling (劉亞玲), holds several positions of the Company, including executive Director and general manager of the Company. Ms. Liu graduated with a Master's Degree and is a member of the Chinese Institute of Certified Public Accountants.

Mr. Mei Ping (梅平), holds several positions of the Company, including chairman of the Board and executive Director. He graduated with a Master Degree. He is the elder brother of Mr. Mei Wei, who is a substantial shareholder of the Company.

Mr. Mei Wei (梅偉), aged 52, is the general manager of the mining division. Mr. Mei Wei graduated from Beijing University in 1988 with a Bachelor's Degree in Bio Engineering. After graduation, he worked at the Beijing Biological Immunization Pharmaceutical Centre as an engineer before working in Qinghai Bodi International Limited, a zinc and lead trading company in 1993, as general manager. He began to involve in the international trading of zinc and lead in 1998. He also received training from Standard Bank of London for futures trading in the London Metal Exchange (LME). Shenzhen City First Create Investment Company Limited# (深圳市冠欣投資有限公司) ("First Create"), a company that he established in Shenzhen, the PRC, in 2002 which invests in zinc and lead mines in the PRC. Mr. Mei Wei joined the Group in July 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

PRC NONFERROUS METAL MARKET INDUSTRY REVIEW

Introduction to Lead and Zinc

Lead is a very corrosion-resistant, dense, ductile and malleable blue-gray metal that has been used for at least 5,000 years. Approximately 80% of the lead produced globally is used for making lead-acid batteries, which can be found in motor vehicles and in emergency systems.

Zinc is a bluish-white, lustrous, diamagnetic metal. Approximately 50% of the zinc produced globally is used for making galvanising steel.

PRC Nonferrous Metals Development in 2015

The principal market for our nonferrous products is the PRC.

In view of the economic slowdown and gloomy investment environment, coupled with the volatility of the financial markets, the nonferrous market performance in general was weak in the PRC during the year of 2015. The oversupply of zinc and lead continues to drive the prices down.

The nonferrous market performance in the PRC in turn affects our production and planning. According to the recent forecast of the International Lead and Zinc Study Group (the "ILZSG"), global zinc demand is expected to increase to 14.4 million tonnes in 2016 following the growth in 2015. The global lead demand is expected to increase to 11.1 million tonnes in 2016, following its drop in 2015. The increase in zinc was driven by the increase usage for galvanized sheet output in automobile industry. However, considering the slowdown in the investment in the property market, infrastructure sector's addition in fixed asset and the inventory level in the consumer appliances field, it is expected the zinc and lead prices will still be subject to pressure in short term.

MANAGEMENT DISCUSSION AND ANALYSIS

According to an article issued by the Ministry of Industry and Information Technology ("MIIT") of the PRC, the national output of ten nonferrous metals for this year, including lead and zinc, rose to approximately 50.9 million tonnes, its output growth has increased by approximately 5.8% as compared with last year. The output of lead lowered by approximately 5.3% to 3.86 million tonnes but the output of zinc climbed approximately 4.9% to 6.15 million tonnes. Total profitability of the nonferrous metals industry in the PRC had decreased by approximately 13.2% to approximately RMB179.9 billion as compared with last year. According to data from the National Bureau of Statistics of the PRC in January 2016, the PRC's mining industry posted a profit slump of 20% year on year to RMB45.0 billion during the year of 2015 (2014: RMB56.3 billion, dropping 10.7% year on year).

As resulted from the imbalance between the demand and the production capacity, the prices of zinc and lead are showing a decreasing trend according to the historical record. In the PRC, the reduction in output of the nonferrous metals also took place, especially by the end of the year. In November 2015, several large nonferrous metals mining companies in the PRC mutually agreed to strictly control the production capacity, and planned to reduce the refined zinc output by 500,000 tonnes in 2016. Besides, the industry also faced challenges from the more stringent environmental requirements. In March 2015, the MIIT announced the Lead and Zinc Industry Specification Conditions (2015 version), certain zinc manufacturers had cut or reduced their production scale so as to comply with the government regulations.

2015 is the last year to comprehensively complete the 12th Five-Year Plan. During the period 2011-2015, the PRC government had launched several measures to improve the quality and efficiency of economic development, to maintain the economy operating within a reasonable range as well as to strive for advancement of the traditional industries to middle- and high-end ones. The national policies had beneficial effects on boosting the consumption and eliminating overcapacity to a certain extent. Previously, the MIIT announced that preparation work had been started to pave the way for the launch of 13th Five-Year Plan. In order to promote a more open economy and encourage "One Belt One Road" strategy, favourable policies will be formulated to facilitate the supply side reform to accelerate the industry transformation and upgrade the technology.

Although the PRC government will continue to implement stimulus policies for steady growth, the nonferrous metals market demand is expected to remain weak in view of the slow global economic recovery. The industry will continue to face uncertainty from the imbalance between the supply and demand of the nonferrous metals. Positive steps for de-stocking, eliminating overcapacity and upgrading efficiency are expected in response to the potential challenge ahead.

In view of the current unfavourable investment atmosphere, certain nonferrous industry producers, including Jiashengpan, in general are suffering losses under the current market conditions. As a strategic response, numerous producers announced their production cuts to reduce their loss and preserve their liquidity and values in the ground in response to this low tide. We, like many other companies in the sector, will continue to deploy an austerity policy in an effort to preserve liquidity to maintain our operations under the current outlook.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

LEAD

Total global supply of lead for this year stood at approximately 10.971 million tonnes whilst total consumption was approximately 10.961 million tones, representing a surplus of approximately 10,000 tonnes. During the year 2014, global lead production was approximately 11.274 million tonnes and consumption was approximately 11.279 million tonnes, and the global market for lead metal was closely balanced with usage exceeding production by approximately 5,000 tonnes.

World refined lead supply and usage

	2015	2014
Metal production (tonnes)	**10,971,000**	11,274,000
Metal usage (tonnes)	**10,961,000**	11,279,000
Surplus/(deficit) (tonnes)	**10,000**	(5,000)

Source: ILZSG

Both refined lead metal production and consumption slightly decreased by approximately 2.7-2.8% as compared with the year of 2014. In accordance with ILZSG forecasts, growth will be driven by increased usage in the automotive and industrial battery sectors in the PRC, global demand and supply for refined lead metal is expected to rise to approximately 11.1 million tonnes and approximately 11.2 million tonnes respectively in 2016. As a consequence, it is anticipated that there should not have any material deficit/surplus between the usage and consumption in 2016.

ZINC

Total global supply of zinc was approximately 13.929 million tonnes for this year whilst total consumption was approximately 13.824 million, representing a surplus of approximately 105,000 tonnes. During the year 2014, global zinc production was approximately 13.513 million tonnes and consumption was approximately 13.809 million tonnes, representing a supply deficit of approximately 296,000 tonnes.

World refined zinc supply and usage

	2015	2014
Metal production (tonnes)	**13,929,000**	13,513,000
Metal usage (tonnes)	**13,824,000**	13,809,000
Surplus/(deficit) (tonnes)	**105,000**	(296,000)

Source: ILZSG

In accordance with ILZSG forecasts, growth will be primarily driven by increased usage for galvanized sheet output in the PRC, global demand and supply for refined lead metal is expected to rise to approximately 14.4 million tonnes and approximately 14.2 million tonnes respectively in 2016. As a consequence, it is anticipated that there would not be any material deficit/surplus between the usage and consumption in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

INFORMATION ON THE MINE

The mine of the Group is located in Wulatezhong Qi, an autonomous region in Inner Mongolia of the PRC with an aggregate mining area of 1.1014 km^2 (the "Mine"). The exploration activities on the Mine are mainly exploration of nonferrous metals of zinc and lead.

A resource verification on the Mine has been conducted by No. 5 Geology Institute in December 2008 and the verification report was submitted by Jiashengpan, the results of which are set out below:

Category under Chinese standard	**Zinc resources contained metal (approximate '000 tonnes)**	**Lead resources contained metals (approximate '000 tonnes)**
112b	302.20	42.68
333	554.90	68.16
Total as at 31 December 2008	857.10	110.84
Less: Total output from 2009 to 2015	(94.56)	(10.37)
Total as at 1 January 2016	762.54	100.47

The data above present the zinc and lead resources in metal tonnes which represent the estimated quantities in various nonferrous concentrates after processing.

Major assumptions of the above table:

The resource statements above are not in compliance with Joint Ore Reserves Committee ("JORC") Code for the reporting of mineral resources and/or ore reserves. The resources presented in the above table are all inside the mining lease, however it is believed that the resources may also include some tonnes below the depth boundary and it is based on the detailed analysis on resource maps obtained from the Group's internal records.

The following is a list of main resource parameters used for resources estimates as extracted from the verification report which was conducted by No. 5 Geology Institute of above table:

- Average grades: weighted average for exploration engineering line; weighted average for ore-block and orebody;

- Ore densities: 3.39 tonnes per cubic metre (t/m^3) for the main block, and 3.75 t/m^3 for the west block;

- Areas of blocks were defined on vertical cross section maps and/or longitudinal projection maps along the exploration line, and calculated using standard formula showing as triangular, trapezoidal, and rectangular shapes;

- Volume of blocks was calculated by using standard formula for various shapes. For example, when two sectional areas are shown and (SI-S2)/SI×I00 < 40%, the block volume: V = (S1+S2)/2×H, Here S1 and S2 are the areas of the blocks; and H is vertical distance between two sectional areas;

- Resources of mineralised bodies were estimated using the standard formula: Q = V×d, where Q, V and d are the resource tonnes, volumes, and densities, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit margin of the Group are analysed as follows:

	2015				2014			
	Revenue *RMB'000*	**Cost of sales** *RMB'000*	**Gross profit** *RMB'000*	**Gross profit %** *RMB'000*	Revenue *RMB'000*	Cost of sales *RMB'000*	Gross profit *RMB'000*	Gross profit % *RMB'000*
Nonferrous metal mining	90,992	(88,650)	2,342	2.6%	117,291	(113,898)	3,393	2.9%
Metal trading	–	–	–	–	1,974	(1,953)	21	1.1%
Indent trading/service income	–	–	–	–	6,811	–	6,811	100%
Total	90,992	(88,650)	2,342	2.6%	126,076	(115,851)	10,225	8.1%

REVENUE

Looking back to the year of 2015, the selling price for the Group's product in the PRC markets remained at a low level, this unfavourable conditions had considerable adverse impact on the performance of the Group. As a result, total revenue decreased by approximately 27.8% to about RMB91.0 million. There was no metal trading and indent trading revenue as a result of the adverse market conditions of the nonferrous metal industry in 2015.

MINING

Zinc prices remained at low level during the year of 2015. Therefore, the Group had lowered its sales volume in response to the continuous drop in the selling prices. In addition, revenue from the by-products including sulphuric acid and tailing mine, which were produced with limited costs, also decreased during the year.

Revenue generated from sales of nonferrous metal mining products amounted to approximately RMB91.0 million (2014: approximately RMB117.3 million), representing a decrease of approximately 22.4% as compared with last year. Approximately 2.6% gross profit margin was recorded for the year ended 31 December 2015 representing a decrease of approximately 0.3 percentage point as compared with last year. Revenue generated from sales of tailing mine amounted to approximately RMB100,000 (2014: RMB6.2 million) as a result of a decrease in the sales volume. Overall, zinc concentrates accounted for approximately 95.4% of the mining sector's revenue and as such its fluctuation had materially affected the Group's performance in 2015.

INDENT TRADING/SERVICE INCOME

For the year ended 31 December 2015, the trading stock was not accepted by the buyers and the transactions were ultimately cancelled. As a result of the return of the trading stock, no sales have been recorded under the indent trading business for the year. For the year ended 31 December 2014, total gross invoiced amount was approximately RMB378.7 million which was generated from the indent trading activities; a net amount of RMB6.8 million had been recognised as revenue in that year.

The followings are the sales volume and average selling prices for each of our mining products and trading business in respect of the years ended 31 December 2015 and 2014:

	2015			2014		
	Sales volume *(tonne)*	**Selling price** *(RMB/tonne)*	**Total revenue** *(RMB'000)*	Sales volume *(tonne)*	Selling price *(RMB/tonne)*	Total revenue *(RMB'000)*
Zinc concentrates	12,597	6,889.2	86,783	12,477	8,131.9	101,462
Lead concentrates	459	8,895.4	4,083	1,112	9,731.1	10,821
Sulphuric acid	–	–	–	14,951	53.6	802
Tailing mine	1,022	123.3	126	53,505	115.5	6,180
Indent trading/service income	–	–	–	–	–	6,811
			90,992			126,076

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION BY ORDINARY COURSE BUSINESS

The Company is engaged in two ordinary courses of business – nonferrous metal mining and nonferrous metal trading, reflecting the structure used by the Company's management to assess the performance of the Group.

	Year ended 31 December 2015			
	Mining *RMB'000*	Metal trading *RMB'000*	Unallocated corporate income and expenses *RMB'000*	Total *RMB'000*
Revenue	90,992	–	–	90,992
Cost of sales	(88,650)	–	–	(88,650)
Gross profit	2,342	–	–	2,342
Other income	152	3	37,956	38,111
Selling and distribution costs	(897)	–	–	(897)
Administrative expenses	(32,477)	(5,294)	(3,974)	(41,745)
Finance costs	(25,184)	–	(28,544)	(53,728)
Impairment losses	(677,620)	–	–	(677,620)
Loss before income tax	(733,684)	(5,291)	5,438	(733,537)

ADDENDUM TO BUSINESS AND FINANCIAL REVIEW

For the year ended 31 December 2015, overall revenue of the Group was approximately RMB91.0 million and the trade and note receivables as at 31 December 2015 was approximately RMB126.8 million, such accounts receivable turnover was approximately 42 days should the trading account receivable balances exclude. Subsequent to the 2015 year end date and up to 31 March 2016, trade and note receivables of RMB10.5 million as at 31 December 2015 has been settled. The remaining outstanding amount of RMB116.3 million was overdue. During the year ended 31 December 2015, the Group entered into various metal purchase transactions with the said debtor approximately RMB108.3 million. It is the intention of the Company to resell these metal purchase to the other sale counter parties before the physical delivery date (i.e. indent sale and purchase transactions (the "Indent Trading")) and realise the cash from the Indent Trading. However, the trading stock was not accepted by the buyer and the transaction was ultimately cancelled. In this regards, Mr. Mei Wei has undertaken the recoverability of certain trade receivables in aggregated amount of approximately RMB116.3 million.

As a result of the return of the trading stock, no sales have been recorded under the indent trading business during the year. On the other hand, the Company has returned the trading stock to the suppliers and is in progress to demand for the repayment of the outstanding balances.

OTHER INCOME

During the year, other income was approximately RMB38.1 million (2014: RMB1.2 million). The increase was mainly attributable to gain on settlement of convertible bonds in respect of the liability component which amounted to approximately RMB38.0 million. Details of which are set out in note 26 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING EXPENSES

Selling and distribution costs for the year amounted to approximately RMB0.9 million, as compared to approximately RMB5.6 million reported last year. The reduction in selling expenses was attributable to the fact that customers typically transported the nonferrous metal concentrates from the mining site at their expenses.

Administrative expenses for the year increased to approximately RMB41.7 million, as compared to approximately RMB36.1 million reported last year. Administrative expenses mainly consisted of staff costs, legal and professional fees, rent and rates, commission, deprecation, various government expenses and net exchange difference.

Impairment losses represented losses recognised for the Group's cash generating unit, which include intangible assets and property, plant and equipment, totalling RMB647.9 million (2014: RMB129.5 million) due to the adverse business environment of the nonferrous metals market. Impairment losses recognised on the trade and other receivables and write down of inventories to net realisable value approximately RMB5.6 million (2014: RMB4.1 million) and RMB24.1 million (2014: nil), respectively.

FINANCE COSTS

Finance costs for the year ended 31 December 2015 amounted to approximately RMB53.7 million (2014: RMB46.8 million). The increase was mainly attributed to the imputed interest for the extended convertible bonds.

LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year ended 31 December 2015 was approximately RMB580.6 million (2014: RMB176.1 million).

The loss was attributable to the decrease in the sales volume and selling prices of zinc and lead concentrates from the mining site during the year and the impairment losses recognised during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by its principal bankers in the PRC. As at 31 December 2015, the total equity attributable to owners of the Company was approximately RMB346.1 million (2014: RMB919.0 million). The Group's cash and bank balances stood at RMB6.6 million (2014: RMB37.0 million). The decrease is a result of the loss incurred during the year. As at 31 December 2015, the Group's net current assets is approximately RMB275.2 million (2014: approximately RMB77.7 million). The improvement in the short term liquidity position was mainly attributable to Ruffy Investments Limited ("Ruffy") who has undertaken not to demand immediate repayment in part or in whole for the redemption of the outstanding convertible bonds with principal amount of HK$372.3 million until 9 July 2017 and accordingly RMB 281.3 million was classified as non-current liability as at 31 December 2015.

Total inventory stood at approximately RMB131.4 million (31 December 2014: approximately RMB28.8 million). The sharp increase in inventory was attributable to the stock purchased in Jiashengpan to approximately RMB112.1 million for trading purpose with an intention to resell. The inventory turnover days in nonferrous metal mining decreased from 92 days for the year ended 31 December 2014 to 80 days in current period should the trading stock be excluded. The decrease was mainly attributed to the lowered mining stock level kept during the year.

As at 31 December 2015, the total asset value of the Group was approximately RMB1,140.7 million (2014: approximately RMB1,790.9 million). Total liabilities was approximately RMB794.6 million (2014: approximately RMB871.9 million). Gearing ratio of the Group, calculated as total liabilities over total assets was approximately 69.7% (2014: approximately 48.7%). The interest-bearing borrowings of the Group amounted to approximately RMB194.6 million (2014: approximately RMB194.9 million).

FOREIGN EXCHANGE EXPOSURE

The Group has bank balances, sales and purchases denominated in foreign currencies which expose the Group to foreign currency risk. The currency risk for those subsidiaries with functional currency in Hong Kong Dollars ("HK$") were mainly attributable to the bank balances and trade and other receivables denominated in United States Dollars ("US$") as at the end of the reporting year. As the exchange rate of HK$ is pegged against US$, the Directors were of the opinion that the currency risk of US$ was insignificant to the Group.

The Group currently does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

SAFETY PRODUCTION AND ENVIRONMENTAL PROTECTION

The Group has always been paying great attention to production safety and environmental protection while achieving growth in zinc and lead concentrates production. Thus, the Group had put great efforts in promoting safety management and strengthened measures for environmental protection, aiming to build itself into a safety-oriented and environmental-friendly corporation. The production safety permit has been renewed during the year and its expiry date is extended to the year 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2015, the Group's mining rights at the net carrying amount of approximately RMB260.2 million (2014: RMB749.7 million) were pledged to secure borrowing facilities granted to the Group.

LITIGATIONS AND CONTINGENT LIABILITIES

Reference to the announcement dated 22 January 2015, the Company had been aware of three writs of civil summon dated (i) 24 September 2014 and has been issued at the Intermediate People's Court of Shenzhen City ("First Writ"), (ii) 3 November 2014 and has been issued at the Intermediate People's Court of Bayannur ("Second Writ"); and (iii) 29 December 2014 and has been issued at the People's Court of Futian, Shenzhen ("Third Writ"). In addition, the Company had also been aware of four arbitration cases in Shenzhen Arbitration Centre against First Create (the "Arbitration Cases"). The aforesaid writs and Arbitration Cases against First Create for repayment of loans and interest accrued thereon. The subsidiaries of the Company namely, Jiashengpan and/or Ruirui was named defendant. Each of the aforesaid plaintiffs alleged the following:

i. by a guarantee executed by Jiashengpan and Ruirui, they agreed to guarantee of approximately RMB156.6 million together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and Ruirui of approximately RMB162.6 million under the First Writ;

   Reference to the announcement of the Company dated 18 March 2016, a judgment order was entered into against among other matters, Jiashengpan, Ruirui, Mei Wei, First Create and other defendants. Each of Jiashengpan, Ruirui, Mei Wei, First Create and other defendants shall be jointly and severally liable for the judgment debt of approximately RMB215.8 million as at December 2015. As advised by the PRC legal advisers, Jiashengpan and Ruirui would have the right to claim against First Create, which is the borrower of the First Claimed Amount, in the event that Jiashengpan is required to pay for the judgment debt under the First Writ.

ii. by a loan agreement and a supplemental agreement executed by Jiashengpan, Jiashengpan agreed to guarantee of RMB70.0 million together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB46.5 million under the Second Writ.

   Reference to the announcement of the Company dated 8 June 2015, the second plaintiff had filed a notice of discontinuation to the court to withdraw its claim against Jiashengpan on 3 June 2015. It is expected Jiashengpan is no longer liable for the claimed amount;

iii. by a guarantee executed by Jiashengpan, Jiashengpan agreed to guarantee of approximately RMB35.0 million together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB31.7 million under the Third Writ.

   Reference to the announcement of the Company dated 18 March 2016, a judgment order was entered into against among other matters, Jiashengpan, Mei Ping, Mei Wei, First Create and other defendants. Each of Jiashengpan, Mei Ping, Mei Wei, First Create and other defendants shall be jointly and severally liable for the judgment debt of approximately RMB43.4 million as at 31 December 2015. As advised by the PRC legal advisers, Jiashengpan would have the right to claim against First Create, which is the borrower of the Third Claimed Amount, in the event that Jiashengpan is required to pay for the judgment debt under the Third Writ.

iv. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB200.0 million together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB216.5 million;

MANAGEMENT DISCUSSION AND ANALYSIS

v. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB100.0 million together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB107.5 million;

vi. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB145.0 million together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB152.1 million; and

vii. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors in connection of the loan amount of RMB80.0 million together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB84.2 million.

Reference to the announcement of the Company dated 18 March 2016, Shenzhen Arbitration Committee# (深圳仲裁委員會) passed judgements against First Create, other PRC companies controlled by Mei Wei and Jiashengpan. Each of the defendants shall be jointly and severally liable for paying the plaintiff under the Arbitration Cases the total principal sum of RMB525 million, interest accrued and penalties thereon.

Jiashengpan had taken out a loan in the sum of RMB150.0 million for a term of 2 years commencing from 31 January 2013 and ending on 30 January 2015 (both dates inclusive) at the interest rate of 10% per annum. Since the expiry of the loan agreement, there was no repayment of any principal and interest amount. In 2016, the Group was aware of another writ of civil summon ("Fourth Writ", together with the First Writ, Second Writ and the Third Writ, collectively collectively the "Writs") jointly taken out by the bank and the lender against Jiashengpan and a court order made by the court against Jiashengpan and other guarantors namely, First Create Mining and Mei Wei to impound (查封), freeze (凍結) and distress (扣押) their respective bank savings and/or assets of value equivalent to approximately RMB176.0 million. As at the date of this report, the outcome is yet to be determined.

As at the date of this report, to the best knowledge, information and belief of the Directors, having made all reasonable enquires, none of the First Plaintiff, the Third Plaintiff and the plaintiff under the Arbitration Cases has enforced the judgment against Jiashengpan and Ruirui. Nevertheless, First Create has issued an undertaking to assume payment liability arisen from the First Writ, Third Writ and Arbitration Cases. Mr. Mei Wei and First Create Mining have undertaken to honour their obligations as guarantors of the entrusted loan under their guarantee agreements and agree to provide adequate funds to settle the entrusted loan and the accrued interests and penalties.

EMPLOYEE INFORMATION

As at 31 December 2015, the Group had approximately 220 employees. The Group has maintained good relations with its staff and has not experienced any disruption of its operations due to labour disputes. The Group provides fringe benefits in accordance with the relevant laws and regulations of the PRC and Hong Kong including contributions to social security scheme of the PRC and the contributions to the Mandatory Provident Fund Scheme of Hong Kong. The Group remunerates its employees in accordance with their work performance and experience.

Total employees' remuneration incurred for the year ended 31 December 2015 amounted to approximately RMB14.6 million (2014: approximately RMB16.8 million). The Directors received remuneration of approximately RMB1.3 million during the year ended 31 December 2015 (2014: approximately RMB0.5 million).

CORPORATE GOVERNANCE REPORT

The Company applied the principles and complied with all requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules throughout 2015 with certain deviations. The following summarises the Company's corporate governance practices and explains deviations, if any, from the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding directors' securities transactions throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

The Board comprises six Directors, of whom two being executive Directors (including the chairman of the Board), one being non-executive Director and three being independent non-executive Directors. The Directors' profile is set out on pages 8 to 9 of this annual report. The Company has complied with Rules 5.05(1) and (2) of the GEM Listing Rules, i.e. the Board includes at least three independent non-executive directors and at least one of them possesses appropriate professional qualifications or accounting or related financial management expertise. The Company has received confirmation from each independent non-executive Director about his independence under the GEM Listing Rules and continues to consider each of them to be independent. In accessing the independence of independent non-executive Directors, the Company is satisfied that each independent non-executive Director fulfills the guideline requirements as set out in Rule 5.09 of the GEM Listing Rules.

The Board is responsible for determining the overall strategy and development, overseeing the business operations of the Group, financial reporting, legal and regulatory compliance, risk management, major acquisitions, disposals, capital transactions and approving the annual business plan of the Group whereas day-to-day execution responsibility was delegated to management team of the Company with clear directions by the Board. The Board is also responsible for the establishment of the internal control of the Company; the Board discusses with the management regularly to ensure that internal control is operating effectively. There is no other relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his/her position, and has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

Every newly appointed Director receives a comprehensive and formal induction upon his/her appointment to ensure that he/she has a proper understanding of operations and business of the Group and is fully aware of responsibilities and obligations of being a Director. The Group provides continuing briefings and professional development to the Directors to update on the latest development in relation to the GEM Listing Rules and other applicable regulatory requirements as well as the Group's business and governance policies.

Appropriate insurance cover on Directors' and officers liabilities has been in forced to protect the Directors' and officers of the Group from their risk exposure arising from the business of the Group.

During the year ended 31 December 2015, all Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending seminars to develop professional skills.

CORPORATE GOVERNANCE REPORT

FREQUENCY OF MEETINGS AND ATTENDANCE

Each Director is expected to give sufficient time and attention to the affairs of the Company. The time commitment required of Directors to perform their responsibilities to the Company will be reviewed annually. The attendance record of each of the Directors for the Board and committee meetings held during the year is set out below:

	Number of attendance/Number of meetings			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. MEI Ping (suspended)	0/23	N/A	N/A	N/A
Mr. TSANG Ching Sing, Edward (resigned on 1 September 2015)	17/19	N/A	1/1	N/A
Ms. LIU Yaling (appointed on 1 June 2015)	12/12	N/A	N/A	N/A
Non-executive Director				
Mr. CHAN Wai Cheung, Admiral (appointed on 1 June 2015)	12/12	N/A	N/A	1/1
Independent non-executive Directors				
Mr. NG Man Kwan, Lawrence (appointed in 27 March 2015)	13/18	4/5	1/1	1/1
Mr. CHENG Feng (appointed on 1 June 2015)	12/12	3/3	1/1	1/1
Mr. SIU Kai Chun (appointed on 19 June 2015)	11/11	3/3	N/A	N/A
Mr. CHAN Siu Lun (resigned on 20 March 2015)	2/2	N/A	N/A	N/A
Mr. KWAN Man Kit, Edmond (resigned on 27 March 2015)	4/4	N/A	N/A	N/A
Ms. HE Qing (resigned on 12 May 2015)	8/10	2/2	N/A	N/A

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company does not have a post of chief executive officer. Mr. Mei Ping is the chairman of the Board and he is responsible to manage day to day business. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly at least four times a year to discuss issues affecting operations of the Company. Also, the balance of power is further ensured by the following reasons:

– Audit committee is composed exclusively of all independent non-executive Directors; and

– The independent non-executive Directors have free and direct access to the Company's external auditor and independent professional advisors when considered necessary.

It is believed that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

APPOINTMENT TERM OF NON-EXECUTIVE DIRECTOR

Code provision A.4.1 of Appendix 15 of the GEM Listing Rules stipulates that non-executive director should be appointed for a specific term and subject to re-election. The non-executive Director is not appointed for a specific term but is subject to retirement by rotation in accordance with the Company's bye-laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in Appendix 15 of the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company set up a Remuneration Committee in February 2005. During the financial year ended 31 December 2015 and up to the date of this report, the members of the Remuneration Committee were:

Mr. Ng Man Kwan, Lawrence (appointed on 27 March 2015)	Chairman
Mr. Cheng Feng (appointed on 1 June 2015)	Member
Mr. Chan Wai Cheung, Admiral (appointed on 1 September 2015)	Member
Mr. Tsang Chung Sing, Edward (appointed on 1 June 2015 and resigned on 1 September 2015)	Ex-Member
Ms. He Qing (resigned on 12 May 2015)	Ex-Member
Mr. Chan Siu Lun (resigned on 20 March 2015)	Ex-Member
Mr. Kwan Man Kit, Edmond (resigned on 27 March 2015)	Ex-Chairman

The responsibility of the Remuneration Committee is to formulate transparent procedures for development of remuneration policies and packages for key executives. The terms of reference of the Remuneration Committee are in compliance with GEM Listing Rules.

The Remuneration Committee consults the chairman of the Board about their proposals relating to the remuneration policies and packages of key executives. During the year under review, meetings were held for considering and reviewing the remuneration and terms of service contracts of the executive Directors of the Company.

NOMINATION COMMITTEE

The Company set up the Nomination Committee in March 2005. During the financial year ended 31 December 2015 and up to the date of this report, the members of the Nomination Committee were:

Mr. Ng Man Kwan, Lawrence (appointed on 27 March 2015)	Chairman
Mr. Chan Wai Cheung, Admiral (appointed on 1 June 2015)	Member
Mr. Cheng Feng (appointed on 1 June 2015)	Member
Mr. Mei Ping (resigned on 1 June 2015)	Ex-Member
Mr. Chan Siu Lun (resigned on 20 March 2015)	Ex-Member
Mr. Kwan Man Kit, Edmond (resigned on 27 March 2015)	Ex-Chairman

The responsibilities and authorities of the Nomination Committee are clearly stated in the terms of reference of the Nomination Committee, including but not limited to reviewing the structure, size and composition of the Board, making recommendations to the Board on relevant matters relating to the appointment of Directors and accessing the independence of the independent non-executive Directors. The terms of reference of the Nomination Committee are in compliance with the GEM Listing Rules.

The Board has adopted a board diversity policy and its aims to set out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Nomination Committee discusses and agrees annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption. Selection of candidates is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company set up an Audit Committee in February 2005 with the responsibility of reviewing and providing supervision over the Group's financial reporting process and internal controls, as well as making recommendations to the Board for appointment and removal of external auditor. During the financial year ended 31 December 2015 and up to the date of this report, the members of the Audit Committee were:

Mr. Cheng Feng (appointed on 1 June 2015)	Chairman
Mr. Chan Siu Lun (resigned on 20 March 2015)	Ex-Chairman
Mr. Ng Man Kwan, Lawrence (appointed on 27 March 2015)	Member
Mr. Siu Kai Chun (appointed on 19 June 2015)	Member
Mr. Kwan Man Kit, Edmond (resigned on 27 March 2015)	Ex-Member
Ms. He Qing (resigned on 12 May 2015)	Ex-Chairlady

All independent non-executive Directors have confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules.

The Group's 2015 quarterly, interim and annual reports have been reviewed by the Audit Committee which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

INTERNAL CONTROL

An effective internal control system is very important for the protection of the Group's assets and shareholders' investments, ensuring the reliability of financial information announcements and compliance with the GEM Listing Rules. The Board is also aware of and acknowledge its responsibility towards the Group's internal control, financial control and risk management, and its responsibility of supervising the efficiency from time to time.

The internal audit team of the Group carried out reviews and submitted report on the internal control system of the Group as well as the accounting workforce of the Group during the year in order to review the effectiveness of the internal control system. During the year ended 31 December 2015, the internal audit team conducted a review of the effectiveness of the internal control system of the Group, including the subsidiaries of the Company established in the PRC.

In addition, the Board will continue to closely monitor the transactions with related parties with due care, and if necessary seek prior professional advice before entering into any legally-binding agreements, so as to ensure compliance with all relevant regulations in this regard.

AUDITOR'S REMUNERATION

Currently, the Company's external auditor is BDO Limited. For the year ended 31 December 2015, the remuneration paid and payable to the auditor of the Company for provision of audit services and non-audit services were approximately RMB770,000 and approximately RMB162,000, respectively. The Audit Committee approved the appointment of BDO Limited as the auditor of the Company, and the Board fully concur with such approval by the Audit Committee.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements.

The statements of the auditor of the Company regarding their responsibilities on the financial statements are set out in the Independent Auditor's Report on pages 34 to 37 of this annual report.

COMPANY SECRETARY

Mr. Ip Yiu Tak ("Mr. Ip") has been appointed as the company secretary of the Company since June 2015. Mr. Ip is the financial controller of the Company. Mr. Ip is a member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

Mr. Ip confirmed that he has taken no less than 15 hours of relevant professional training during the year.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting and putting forward proposals at shareholders' meeting

Pursuant to the bye-laws of the Company, any one or more member(s) 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company by mail at Room 1104, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two 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, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquires may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Room 1104, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

There has not been any significant change in the Company's constitutional documents during the year ended 31 December 2015.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Board recognises the importance of maintaining a clear, timely and effective communication with the shareholders and investors of the Company. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the shareholders and investors of the Company will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, quarterly reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at http://www.cnm.com.hk. Members of the Board and chairman of various board committees will attend the forthcoming annual general meeting of the Company (the "AGM") to answer questions raised by the shareholders of the Company. The resolutions of every important proposal will be proposed at general meetings separately.

Voting at general meetings of the Company is conducted by way of poll in accordance with the GEM Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

There were no special general meeting held during the year ended 31 December 2015.

GOING CONCERN BASIS

The auditor of the Company modifies its audit opinion on the consolidated financial statements for the year ended 31 December 2015 as a result of the Writs and Arbitration Cases; details of which are set out in the paragraph headed "LITIGATION AND CONTINGENT LIABILITIES" in the Management Discussion and Analysis section may cause doubt to the going concern of the Company. The Group incurred a loss attributable to the owners of the Company of approximately RMB580.6 million for the year ended 31 December 2015 and had accumulated losses of approximately RMB641.4 million at the same date. The Group has contingent liabilities of approximately RMB1,152.9 million arising from alleged guarantee documents entered into by two subsidiaries of the Group. In addition, the Group has not repaid the entrusted loan as disclosed in note 25 to the consolidated financial statements with the principal amount of RMB150.0 million together with accrued interests after the expiry date on 30 January 2015 and up to the date of approval of these financial statements. The Group's mining right of carrying amount of approximately RMB260.2 million as at 31 December 2015 has been pledged as security of the entrusted loan and is believed to be subject to court order. These matters give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the foregoing the financial statements have been prepared on a going concern basis. In the opinion of the Directors, the liquidity of the Group can be maintained in the coming year taking into consideration the proposed arrangements which include, but not limited to, the followings:

(i) 2008 CONVERTIBLE BONDS

The Company and the Group issued 2008 Convertible Bonds (as defined hereinafter) with the outstanding principal amount of HK$382.0 million are due on 9 July 2015. No conversion of any 2008 Convertible Bonds has been made by the bondholders on or before the due date. Any 2008 Convertible Bonds remain outstanding on the maturity date shall be redeemed at its then outstanding principal amount, inclusive of any interest as accrued. The outstanding principal amount of 2008 Convertible Bonds HK$372.3 million is held by Ruffy. In view of the working capital position of the Group and the Company, Ruffy has undertaken on 25 March 2015 not to demand immediate repayment in part or in whole for the redemption of all outstanding 2008 Convertible Bonds held by Ruffy on the maturity date until 9 July 2017 or such later date as the Company and Ruffy may agree in writing.

CORPORATE GOVERNANCE REPORT

(ii) ENTRUSTED LOAN

The Group has not repaid an entrusted loan in the principal amount of RMB150.0 million together with loan interest approximately RMB26.0 million according to the court order. The Group has received the Fourth Writ jointly taken out by the bank and the lender at the court against Jiashengpan. First Create Mining and Mr. Mei Wei have undertaken to honour their obligations as guarantors of this entrusted loan under their guarantee agreements and agree to provide adequate funds to settle the entrusted loan and the accrued interests and penalties.

(iii) ADDITIONAL FINANCIAL SUPPORT FROM THE CONTROLLING SHAREHOLDER

Mr. Mei Wei has undertaken the recoverability of certain trade receivables, deposits and other receivables of the Group in aggregated amount of approximately RMB525.3 million as at 31 December 2015.

In addition to the aforesaid financial undertakings made by Mr. Mei Wei and his affiliates, Mr. Mei Wei has further undertaken to provide continuing financial support to the Group to meet its liabilities as they fall due and to maintain the Group as a going concern for a period at least up to 31 December 2016. The Directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the next twelve months. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income on page 41 of the annual report.

DIVIDEND

The Directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 28 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 44 of this annual report and in note 31 to the financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2015, the Company had no distributable reserves as required in accordance with the Companies Act 1981 of Bermuda.

DIRECTORS' REPORT

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS:

Mr. Mei Ping (suspended)
Ms. Liu Yaling (appointed on 1 June 2015)
Mr. Tsang Chung Sing, Edward (resigned on 1 September 2015)

NON-EXECUTIVE DIRECTOR:

Mr. Chan Wai Cheung, Admiral (appointed on 1 June 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Ng Man Kwan, Lawrence (appointed on 27 March 2015)
Mr. Cheng Feng (appointed on 1 June 2015)
Mr. Siu Kai Chun (appointed on 19 June 2015)
Ms. He Qing (resigned on 12 May 2015)
Mr. Kwan Man Kit, Edmond (resigned on 27 March 2015)
Mr. Chan Siu Lun (resigned on 20 March 2015)

In accordance with bye-laws 86 and 87 of the Company's bye-laws, Mr. Mei Ping, Ms. Liu Yaling, Mr Chan Wai Cheung, Admiral, Mr. Cheng Feng and Mr. Siu Kai Chun will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' PROFILE

The Directors' profile is set out on pages 8 to 9 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The term of office of all Directors are not specific. All Directors are subject to re-election requirements under the Company's bye-laws.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of the Directors, the chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong Special Administrative Region (the "SFO")), which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

DIRECTORS' REPORT

Long positions in the shares of the Company

(A) ORDINARY SHARES OF HK$0.002 EACH OF THE COMPANY

Name of Director	Capacity	Number of shares	Percentage of shareholding (%)
Liu Yaling (note)	Beneficial owner	38,727	–
	Interest of spouse	22,628,802	1.29
		22,667,529	1.29

Note: Ms. Liu Yaling was appointed as an executive Director on 1 June 2015. Ms. Liu Yaling was deemed to be interested in the 22,628,802 shares which were held by her spouse, under the SFO.

(B) SHARE OPTIONS

As at 31 December 2015, save as disclosed herein, none of the Directors nor chief executive of the Company had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); and (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred in Rules 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

As at 31 December 2015, none of the options granted by the Company was outstanding and the scheme had lapsed on 15 February 2015. A summary of the principal terms and conditions of the share option scheme is set out in note 29 to the financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the options disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements which enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the financial statements, no contract of significance, to which the Company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, so far as the Directors were aware, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 Part XV of the SFO and recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or otherwise notified to the Company as follows:

Name of shareholders	Type of interests	Position	Number of shares	Approximate percentage
Ruffy Investments Limited ("Ruffy") *(Note 1)*	Beneficial owner	Long	1,033,091,706	58.99%
Mr. Mei Wei *(Note 1 & 2)*	Interest in controlled corporation	Long	1,033,091,706	58.99%
	Beneficial owner	Long	11,210,000	0.64%
			1,044,301,706	59.63%

Notes:

1. These shares and underlying shares of the Company comprise of 1,033,091,706 shares were held by Ruffy, which is wholly-owned by Mr. Mei Wei. Mr. Mei Wei was deemed to be interested in these shares and the underlying shares under the SFO. Among the shares owned by Ruffy, 125,324,850 shares have been pledged by Ruffy to CCB International Group Holdings Limited, and 893,167,054 shares have been pledged by Ruffy to Xinxing Pipes (Hong Kong) Co. Limited.

2. These shares and underlying shares of the Company, comprise of 11,210,000 shares held by Mr. Mei Wei.

Save as disclosed herein, so far as known to any Director or chief executive of the Company, no other person (other than the Directors and chief executive of the Company) had any interest and short positions in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2015.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 66.4% of the total purchases of the Group and the largest supplier accounted for approximately 45.3% during the year. The aggregate sales attributable to the Group's five largest customers accounted for approximately 100% of the total sales of the Group while sales to the largest customer accounted for approximately 77.7%.

DIRECTORS' REPORT

So far as is known to the Directors, none of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of any of the five largest customers and suppliers of the Group.

RELATIONSHIP BETWEEN THE GROUP AND EACH OF THE RELEVANT CONNECTED PERSONS

Ruffy is a company incorporated in the British Virgin Islands whose entire issued share capital is solely and beneficially owned by Mr. Mei Wei, a substantial shareholder of the Company.

First Create and First Create Mining (collectively referred as "First Create Group") were companies established under the laws of the PRC with limited liability. Mr. Mei Ping, an executive Director, and Mr. Mei Wei beneficially owned more than 30% equity interest in First Create Group respectively. Mr. Mei Ping and Mr. Mei Wei have directorship in First Create Group. First Create Group is a connected person to the Company under the GEM Listing Rules.

As far as the transactions set out in note 34 to the financial statements under the heading of "Related Party Transactions" are concerned, the transaction as set out in note (a) was the de minimis rental payment to First Create which was exempt from the announcement, circular and independent shareholders' approval requirements under the GEM Listing Rules. The transaction as set out in note (b) was the remuneration of key management as determined pursuant to the service contracts entered into between the key management (including the Directors) of the Group and the securities issued and to be issued upon exercise of options granted to the Directors under the share option scheme of the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the GEM Listing Rules. The transactions as set out in notes (c) and (d) were exempted from the announcement, circular and independent shareholders' approval requirements under the GEM Listing Rules.

Save as disclosed herein and elsewhere in the financial statements, (i) there were no other transactions which need to be disclosed as connected or continuing connected transactions in accordance with the requirements of the GEM Listing Rules; and (ii) no contracts of significance to which Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTOR/CONTROLLING SHAREHOLDER INTERESTS IN COMPETING BUSINESSES

During the year and at the date of this report, the following Director(s) and controlling shareholder is/are considered to have interests in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the GEM Listing Rules.

Mr. Mei Ping held shareholding or directorship in First Create Group which, including its subsidiaries and associated companies, is engaged in the mining and trading business. Mr. Mei Wei also has beneficial interest and directorship in First Create Group. However, the Directors do not consider the interests/directorship held by Mr. Mei Ping and Mr. Mei Wei to be competing in practice with the relevant businesses of the Group in view of the trading business of First Create Group is overseas focus while major turnover in the Group is local business.

DIRECTORS' REPORT

In addition, the Board is independent from the board of directors of the aforesaid companies as Mr. Mei Ping cannot personally control the Board. Since Mr. Mei Ping has voluntary suspended his duty as an executive Director and the chairman of the Board, it is expected that the Group is capable of carrying on its businesses independently of, and at arm's length from the business of such companies.

Mr. Mei Wei also held shareholding interests and/or directorship in companies engaged in the mining and processing of mineral resources. However, the Directors do not consider the interest held will create any competing in practice with the relevant businesses of the Group as the mineral resources explored are not mainly zinc and lead concentrates oriented or the mining sites activities are inactive.

SUSPENSION OF TRADING IN SHARES

Trading in the shares of the Company on the Stock Exchange has been suspended since 1 April 2015, and will remain suspended until further notice.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Company on the basis of their merit, qualifications and competence. The emoluments of the Directors and senior management are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company has complied with the CG Code as contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2015 which are explained in the relevant paragraphs.

A report on the principal corporate governance practices adopted by the Company is set out on pages 20 to 26 of this annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

AUDIT COMMITTEE

The Company set up an audit committee on 16 February 2005 with written terms of reference in compliance with the GEM Listing Rules. The authority and duties of the audit committee are based on the guidelines set out in "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The audit committee provides a link between the Board and the Company's auditor in matter coming within the scope of the Group audit. It also reviews and supervises the financial reporting process and internal control procedures of the Group. The members of the audit committee comprises three independent non-executive Directors, namely Mr. Cheng Feng, Mr. Ng Man Kwan, Lawrence and Mr. Siu Kai Chun.

DIRECTORS' REPORT

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the amount of sufficient public float as required under Rule 11.23 of the GEM Listing Rules throughout 2015.

MATERIAL ACQUISITION AND DISPOSAL

No material acquisitions or disposals of subsidiaries and associated companies have been made by the Company during the year ended 31 December 2015.

EVENTS AFTER THE REPORTING DATE

Subsequent to 31 December 2015, the Group has received a notice from the court notifying Jiashengpan to defend against the Fourth Writ. Details of which are set out in the paragraph headed "LITIGATIONS AND CONTINGENT LIABILITIES" in the Management Discussion and Analysis section.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board
China Nonferrous Metals Company Limited

Liu Yaling
Executive Director

Hong Kong, 31 March 2016

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF CHINA NONFERROUS METALS COMPANY LIMITED
中國有色金屬有限公司
(incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of China Nonferrous Metals Company Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 41 to 108, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION

1. SCOPE LIMITATION AND MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS OF PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015, there were conditions which indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

(a) Default of bank loan with mining right pledged as security

As disclosed in note 25(b)(ii) to the consolidated financial statements, the Company's subsidiary, namely 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司 ("Jiashengpan") was in default on repayments of the entrusted loan in principal amount of RMB150,000,000, together with accrued interests and penalties of approximately RMB31,389,000 as at 31 December 2015. Jiashengpan's mining right of carrying amount of approximately RMB260,191,000 as at 31 December 2015 has been pledged as security of the entrusted loan. The entrusted loan was also secured by guarantees given by the Company's controlling shareholder (the "Controlling Shareholder") and by a company controlled by the Controlling Shareholder (the "Corporate Guarantor"). In January 2016, a court order was issued to impound, freeze and distress the assets of Jiashengpan, the Controlling Shareholder and the Corporate Guarantor of value equivalent to approximately RMB176,002,000. As set out in note 14 to the consolidated financial statements, the management of Jiashengpan believes that the mining right is subject to the frozen order. In the event that the Group, the Controlling Shareholder or the Corporate Guarantor is unable to repay the defaulted entrusted loan together with the accrued interests and penalties, the Group may lost the mining right. The principal activities of the Group are mining, processing and sale of mineral resources.

As at 31 December 2015, the carrying amount of the mining right was approximately RMB260,191,000. At the same date, the Group's property, plant and equipment of carrying amount of approximately RMB91,126,000 was engaged in mining activities. There were also deferred tax asset of approximately RMB54,950,000 and deferred tax liabilities of approximately RMB55,050,000 in connection with the Group's mining activities. Whether these amounts were fairly stated depend on the Group's ability to retain the mining right and continue its mining activities. The consequential impact is whether the impairment losses of intangible assets and property, plant and equipment and associated tax effect recognised during the year were properly stated.

(b) Losses for the year and the previous years

The Group incurred a loss attributable to the owners of the Company of approximately RMB580,578,000 for the year ended 31 December 2015 and had accumulated losses of approximately RMB641,435,000 at the same date.

INDEPENDENT AUDITOR'S REPORT

1. SCOPE LIMITATION AND MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS OF PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(c) Contingent liabilities

The Group has contingent liabilities of approximately RMB1,152,898,000 as at 31 December 2015 as detailed in note 36 to the consolidated financial statements.

Notwithstanding the foregoing indications of existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, the consolidated financial statements have been prepared on a going concern basis, the appropriateness of which largely depends upon the successful outcome of the arrangements as disclosed in note 3.1(iii) to the consolidated financial statements, which in particular include the execution of various financial undertakings and guarantees by the Controlling Shareholder and his affiliates (the "Financial Support"). If the Financial Support is not forthcoming, the Group may not be able to meet its financial obligations as and when they fall due. However, we have not been provided with sufficient documentary evidence in respect of the financial position of the Controlling Shareholder and his affiliates to enable us to assess whether they have sufficient financial capability to provide the aforementioned Financial Support to the Group. There were no other satisfactory audit procedures that we could adopt to assess whether the Group had sufficient resources to meet its operating and financing needs for the foreseeable future. Accordingly, we were unable to satisfy ourselves regarding the Group's ability to continue as a going concern.

The consolidated financial statements do not include any adjustments that may be necessary should the going concern basis of preparation be determined to be inappropriate. These would include any adjustments to write down the Group's assets to their net realisable amounts, to provide for any liabilities which may arise on cessation of business and to reclassify non-current assets and liabilities as current.

2. CLASSIFICATION AND CARRYING AMOUNT OF RUFFY BONDS AND ASSOCIATED ACCRUED INTEREST

As disclosed in note 26 to the consolidated financial statements, the maturity date of convertible bonds issued by the Company in 2008 is on 9 July 2015 (the "2008 Convertible Bonds"). On 25 March 2015, Ruffy Investment Limited ("Ruffy"), the Company's immediate and ultimate holding company and a major holder of the 2008 Convertible Bonds, has entered into an extension letter with the Company to the effect that Ruffy has undertaken not to demand immediate repayment in part or in whole of the outstanding 2008 Convertible Bonds with principal amount of HK$372,298,000 held by Ruffy on the maturity date ("Ruffy Bonds") until 9 July 2017 or a later date in which case as the Company and Ruffy may agree in writing (the "Extension Letter").

It was noted that Ruffy Bonds have been pledged by Ruffy to a mortgagee before it entering into the Extension Letter. On 8 July 2015, the Company received a legal letter from a legal representative of the mortgagee of Ruffy Bonds which states that the Extension Letter, shall be deemed null and void ab initio because the mortgagee as the beneficiary under the charge over Ruffy Bonds doses not agree to and will not endorse the Extension Letter.

INDEPENDENT AUDITOR'S REPORT

2. CLASSIFICATION AND CARRYING AMOUNT OF RUFFY BONDS AND ASSOCIATED ACCRUED INTEREST (CONTINUED)

The directors are of the opinion that the Extension Letter is legally binding and therefore based on the Extension Letter, as at 31 December 2015, the Group presented the amount due to Ruffy (ie "Other payables" in the consolidated statement of financial position) of carrying amount of RMB281,356,000 and the accrued interest of approximately RMB2,012,000 as non-current liabilities. In addition, a gain on settlement of Ruffy Bonds of RMB37,956,000 was recognised as other income and effective interest on the amount payable to Ruffy of RMB12,833,000 was expensed for the year ended 31 December 2015.

The directors of the Company have not provided us with any legal opinion in respect of the enforceability of the Extension Letter and we do not have alternative audit procedures to obtain sufficient appropriate audit evidence in respect of the validity and legal enforceability of the Extension Letter issued by Ruffy. Accordingly, we have not been able to satisfy ourselves as to whether:

(i) The carrying amount of approximately RMB281,356,000 of other payables and associated accrued interest of approximately RMB2,012,000 classified as non-current liability in the consolidated statement of financial position as at 31 December 2015 was appropriately presented.

(ii) The gain on settlement of Ruffy Bonds of RMB37,956,000 and interest expense of RMB12,833,000 recognised in the year were free from material misstatement.

Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, would have a consequential effect on the net assets of the Group and on its loss for the year ended 31 December 2015.

3. PROVISIONS AND CONTINGENT LIABILITIES ARISING FROM ALLEGED GUARANTEE

In 2014, two writs of civil summon have been issued against 深圳市冠欣投資有限公司 ("First Create"), which is a related company of the Company. The first writ dated 24 September 2014 (the "First Writ") has been issued at the Intermediate People's Court of Shenzhen City for the repayment of RMB162,577,000, alleging to be the principal and interest accrued thereon pursuant for a loan agreement dated 15 April 2014 together with the related legal costs. The second writ dated 29 December 2014 (the "Second Writ") has been issued at the People's Court of Futian, Shenzhen, the PRC for the repayment of RMB31,737,000 alleging to be the principal, accrued interest and penalties pursuant to the loan agreements together with the related legal costs. Jiashengpan is also a named defendant under the above two writs and another Company's subsidiary, namely 深圳市睿汭實業有限公司 (formerly 深圳市睿汭科技有限公司) ("Ruirui") is also a named defendant under the First Writ. It was alleged that Jiashengpan and Ruirui had executed certain guarantee documents in 2014 to act as guarantors for the aforesaid loan agreements.

In addition, some arbitration cases were brought by a third party individual in Shenzhen Arbitration Centre against First Create and Jiashengpan for a claim of total amount of RMB560,324,000 alleging to be the principal, accrued interest and penalties pursuant to the loan agreements together with the related legal costs.

In 2015, adjudication in respect of the two writs and arbitration cases were issued. In aggregate, each of Jiashengpan, Ruirui and other defendants (including First Create and the Controlling Shareholder and his affiliates) shall be jointly and severally liable for a total claimed amount of approximately RMB1,152,898,000 ("Total Claimed Amount").

INDEPENDENT AUDITOR'S REPORT

3. PROVISIONS AND CONTINGENT LIABILITIES ARISING FROM ALLEGED GUARANTEE (CONTINUED)

The directors of the Company considered that First Create, the Controlling Shareholder and/or his affiliates will settle the Total Claimed Amount on the basis that they are also the defendants to the above two writs and arbitration cases and these parties have adequate financial resources to do so. Accordingly, as at 31 December 2015, no provision has been made in respect of the Group's obligation under these adjudications. The directors of the Company disclosed the Total Claimed Amount as contingent liabilities in the consolidated financial statements. However, the directors of the Company have not provided us with sufficient documentary evidence in respect of the financial position of First Create, the Controlling Shareholder and his affiliates to enable us to assess whether it is appropriate for not making provision for the Group's obligation. There were no alternative audit procedures that we could perform to obtain sufficient appropriate audit evidence in this respect. Any provision found to be necessary would reduce the net assets of the Group and increase its loss for the current year.

4. COMPLETENESS OF PENDING LITIGATION, PROCEEDINGS, HEARINGS OR CLAIMS

In March 2016, the Group made several announcements regarding writs received in 2014 and 2015, and arbitration cases heard and associated claims judged in 2015. These writs, arbitration cases relate to transactions conducted with related parties. The Group's internal procedures did not enable it to properly identify on a timely basis the writs, arbitration cases and associated claims arising in 2014 and 2015. We have not been able to obtain sufficient appropriate audit evidence therefore concerning the completeness of pending litigation, proceedings, hearings or claims against the Group. Accordingly, we are unable to determine whether all provisions and contingent liabilities have been properly accounted for and disclosed for in the consolidated financial statements in accordance with International Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets".

We disclaimed our opinion on the consolidated financial statements for the year ended 31 December 2014 with one of the matters also related to insufficient appropriate audit evidence concerning the completeness of pending litigation, proceedings, hearings or claims against the Group.

INDEPENDENT AUDITOR'S REPORT

5. RECOVERABILITY OF THE GROUP'S TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS PAID

As at 31 December 2015, the trade receivables, other receivables and deposits paid of the Group included the past due balances of approximately RMB116,290,000, approximately RMB58,815,000 and approximately RMB295,509,000 (the "Balances"), respectively. As at the date of this report, the Balances have not been settled. We were not provided with sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the Balances. Accordingly, we are unable to determine whether the Group's trade receivables, other receivables and deposits and its impairment losses are properly stated as at 31 December 2015 and for the year then ended.

We disclaimed our opinion on the consolidated financial statements for the year ended 31 December 2014 with one matter related to insufficient appropriate audit evidence concerning trade receivables, other receivables and deposits paid of the Group which included past due balances as at 31 December 2014 of RMB109,875,000, RMB90,019,000 and RMB279,208,000 respectively. We were unable to determine these balances and impairment losses were properly stated as at 31 December 2014. Accordingly these amounts included as comparatives in the consolidated financial statements for the year ended 31 December 2015 may not be comparable.

6. RELATED PARTY TRANSACTIONS

As described in part 4 above, the Group's internal procedures in 2014 and 2015 did not enable it to properly identify and disclose on a timely basis all material related party transactions that occurred during the years. We have not been able to obtain sufficient appropriate audit evidence therefore concerning the completeness of related parties and related party transactions presented and disclosed in the consolidated financial statements. Accordingly, we have not been able to satisfy ourselves that all related party balances and transactions have been properly presented and disclosed as required by the International Accounting Standard 24 "Related Party Disclosures".

We disclaimed our opinion on the consolidated financial statements for the year ended 31 December 2014 with one of the matters also related to our inability to satisfy ourselves that all related party transactions and balances had been properly presented and disclosed. Accordingly, these transactions and balances included as comparatives in the consolidated financial statements for the year ended 31 December 2015 may not be comparable.

INDEPENDENT AUDITOR'S REPORT

7. INFORMATION AND DOCUMENTS PROVIDED BY THE MANAGEMENT

In view of the Group's internal procedures in place, we have not been able to obtain sufficient audit evidences concerning the completeness of the relevant information and documents as described in parts 4 and 6 above. In addition, during the course of our audit, we were unable to satisfy ourselves that the accounting information and documentation provided by the management for the purpose of our audit was complete and accurate in all material respects, nor to quantify the extent of adjustments that might have been necessary in respect of the Group's consolidated financial statements for the year ended 31 December 2015 as a result of missing accounting information and documentation, if any.

We encountered with similar limitations in the course of our audit of the consolidated financial statements for the year ended 31 December 2014. Among other matters, we disclaimed our opinion on the consolidated financial statements for the year ended 31 December 2014. Accordingly, comparatives in the consolidated financial statements for the year ended 31 December 2015 may not be comparable.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements and as to whether they have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Cheung Or Ping
Practising Certificate Number P05412

Hong Kong, 31 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	5	**90,992**	126,076
Cost of sales		**(88,650)**	(115,851)
Gross profit		**2,342**	10,225
Other income	5	**38,111**	1,190
Changes in fair value of derivative financial instruments		**–**	24
Selling and distribution costs		**(897)**	(5,645)
Administrative expenses		**(41,745)**	(36,072)
Impairment losses and write-down of inventories		**(677,620)**	(133,637)
Loss from operations	7	**(679,809)**	(163,915)
Finance costs	8	**(53,728)**	(46,772)
Loss before income tax		**(733,537)**	(210,687)
Income tax credit	9	**152,959**	34,607
Loss for the year attributable to the owners of the company		**(580,578)**	(176,080)
Other comprehensive income, after tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**7,779**	366
Total comprehensive income for the year attributable to the owners of the Company		**(572,799)**	(175,714)
Loss per share – Basic and diluted	11	**(33.15) cents**	(10.05) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**92,400**	242,791
Intangible assets	14	**260,191**	749,686
Prepaid land lease payments	15	**1,797**	1,839
Deferred tax assets	27	**54,950**	24,450
		409,338	1,018,766
Current assets			
Inventories	17	**131,476**	28,845
Prepaid land lease payments	15	**42**	42
Trade and note receivables	18	**126,784**	162,922
Other receivables, deposits and prepayments	19	**464,394**	541,359
Amount due from a related company	20	**2,035**	1,880
Cash and bank balances	21	**6,645**	37,045
		731,376	772,093
Current liabilities			
Trade and note payables	22	**72,382**	50,735
Other payables and accrued charges	23	**100,240**	70,122
Amounts due to related companies	24	**4,624**	5,426
Borrowings	25	**194,600**	194,867
Convertible bonds	26	**–**	291,610
Provision for tax		**84,309**	81,650
		456,155	694,410
Net current assets		**275,221**	77,683
Total assets less current liabilities		**684,559**	1,096,449
Non-current liabilities			
Other payables and accrued charges	23	**283,368**	–
Deferred tax liabilities	27	**55,050**	177,509
		338,418	177,509
Net assets		**346,141**	918,940
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	**3,107**	3,107
Reserves		**343,034**	915,833
Total equity		**346,141**	918,940

On behalf of the Board

Liu Yaling **Chan Wai Cheung, Admiral**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Loss before income tax		**(733,537)**	(210,687)
Adjustments for:			
Finance costs	8	**53,728**	46,772
Interest income	5	**(2)**	(30)
Depreciation of property, plant and equipment	7	**18,498**	17,216
Amortisation of prepaid land lease payments	7	**42**	42
Amortisation of mining rights	7	**9,382**	9,157
Impairment of trade receivables	7	**5,563**	1,925
Impairment of other receivables	7	**–**	2,200
Impairment of property, plant and equipment	7	**167,812**	31,548
Impairment of intangible assets	7	**480,113**	97,964
Impairment of inventories	7	**24,132**	–
Gain on settlement of convertible bonds	5	**(37,956)**	–
Reversal of impairment of trade receivables	5	**(150)**	–
Operating loss before working capital changes		**(12,375)**	(3,893)
(Increase)/decrease in inventories		**(126,763)**	30,956
Decrease in trade and note receivables		**37,140**	17,160
Decrease/(increase) in other receivables, deposits and prepayments		**82,890**	(159,177)
Increase/(decrease) in trade and note payables		**21,647**	(49,461)
(Decrease)/increase in other payables and accrued charges		**(708)**	15,621
(Decrease)/increase in amounts due to related companies		**(802)**	3,845
Changes in derivative financial instruments		**–**	963
Net cash generated from/(used in) operating activities		**1,029**	(143,986)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(22,145)**	(7,471)
Interest received		**2**	30
Decrease in pledged bank deposits		**–**	1,138
Increase in amount due from a related company		**(155)**	(1,398)
Net cash used in investing activities		**(22,298)**	(7,701)
Cash flows from financing activities			
New bank and other borrowings raised		**–**	44,600
Repayment of bank and other borrowings		**–**	(45,000)
Interest paid on bank and other borrowings		**(3,909)**	(17,861)
Interest paid on convertible bonds		**(4,489)**	(14,218)
Interest paid on other payables		**(2,393)**	–
Interest paid on finance lease liabilities		**(35)**	(45)
Capital element on finance lease liabilities		**(267)**	(354)
Net cash used in financing activities		**(11,093)**	(32,878)
Net decrease in cash and cash equivalents		**(32,362)**	(184,565)
Cash and cash equivalents at beginning of year		**37,045**	219,849
Effect of foreign exchange, net		**1,962**	1,761
Cash and cash equivalents at end of year		**6,645**	37,045

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital (note 28) RMB'000	Share premium (note 31) RMB'000	Capital redemption reserve (note 31) RMB'000	Translation reserve (note 31) RMB'000	Specific reserve (note 31) RMB'000	Other reserve (note 31) RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	3,107	970,169	6	(13,644)	4,264	15,529	50,783	118,673	(54,233)	1,094,654
Loss for the year	–	–	–	–	–	–	–	–	(176,080)	(176,080)
Other comprehensive income										
Currency translation	–	–	–	366	–	–	–	–	–	366
Total comprehensive income for the year	–	–	–	366	–	–	–	–	(176,080)	(175,714)
Lapse of share options	–	–	–	–	–	–	(20,280)	–	20,280	–
At 31 December 2014 and 1 January 2015	**3,107**	**970,169**	**6**	**(13,278)**	**4,264**	**15,529**	**30,503**	**118,673**	**(210,033)**	**918,940**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(580,578)**	**(580,578)**
Other comprehensive income										
Currency translation	**–**	**–**	**–**	**7,779**	**–**	**–**	**–**	**–**	**–**	**7,779**
Total comprehensive income for the year	**–**	**–**	**–**	**7,779**	**–**	**–**	**–**	**–**	**(580,578)**	**(572,799)**
Release upon maturity of convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(118,673)**	**118,673**	**–**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**–**	**(30,503)**	**–**	**30,503**	**–**
At 31 December 2015	**3,107**	**970,169**	**6**	**(5,499)**	**4,264**	**15,529**	**–**	**–**	**(641,435)**	**346,141**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. GENERAL INFORMATION

China Nonferrous Metals Company Limited (the "Company") was incorporated in Bermuda on 14 April 2004 as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 28 February 2005.

The Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the Company's principal place of business is Room 1104, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong.

The directors of the Company (the "Directors") consider that the Company's immediate and ultimate holding company is Ruffy Investments Limited ("Ruffy"), a company incorporated in the British Virgin Islands.

The principal activity of the Company is investment holding. The principal subsidiaries of the Company are engaged in the mining, processing and trading of mineral resources. Details of the activities of the principal subsidiaries of the Company are set out in note 16 to the consolidated financial statements. There were no significant changes in the Group's operations during the year.

The financial statements on pages 41 to 108 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements include applicable disclosure requirements by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The financial statements for the year ended 31 December 2015 were approved and authorised for issue by the Board of Directors on 31 March 2016.

2. ADOPTION OF NEW AND REVISED IFRSs

In the current year, the Group has applied for the first time the following amendments (the "new IFRSs") issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2015:

IFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
IFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of the new IFRSs had no material impact on the Group's consolidated financial statements.

ANNUAL IMPROVEMENTS 2010-2012 CYCLE AND 2011-2013 CYCLE

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to IAS 24 Related Party Disclosures to clarify that a management entity that provides key management services to a reporting entity is deemed to be a related party of the reporting entity. The reporting entity is required to disclose the amount incurred for the service fee paid or payable to the management entity that employs, or has as directors, the persons that provide the key management personnel services.

The adoption of the amendments to IAS 24 has no impact on these financial statements as the Group has not employed any key management personnel services from a management entity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. ADOPTION OF NEW AND REVISED IFRSs (Continued)

New/revised IFRSs that have been issued but are not yet effective

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle [1]
Amendments to IAS 1	Disclosure Initiative [1]
Amendments to IAS 7	Disclosure Initiative [2]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses [2]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements [1]
IFRS 9 (2014)	Financial Instruments [3]
IFRS 15	Revenue from Contracts with Customers [3]
IFRS 16	Lease [4]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2018
[4] Effective for annual periods beginning on or after 1 January 2019

Amendments to IAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of IAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to IAS 27 (2011) – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries in its separate financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. ADOPTION OF NEW AND REVISED IFRSs (Continued)

IFRS 9 (2014) – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new or revised IFRSs and the directors are not yet in a position to quantify the effects on the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. ADOPTION OF NEW AND REVISED IFRSs (Continued)

IFRS 16 – Lease

Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

(i) Statement of compliance

The financial statements have been prepared in accordance with all applicable IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Furthermore, the disclosure requirements set out in the GEM Listing Rules regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance, Cap. 622. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements.

(ii) Basis of measurement

The financial statements have been prepared under the historical cost basis in accordance with IFRSs. The measurement bases are fully described in the accounting policies below.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 BASIS OF PREPARATION (Continued)

(ii) Basis of measurement (Continued)

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the year presented unless otherwise stated. The adoption of new or revised IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(iii) Basis of presentation

The Group incurred a loss attributable to the owners of the Company of approximately RMB580,578,000 for the year ended 31 December 2015 and had accumulated losses of approximately RMB641,435,000 at the same date. As at 31 December 2015, as disclosed in note 36 to the consolidated financial statements, the Group has contingent liabilities of approximately RMB1,152,898,000 arising from alleged guarantee documents entered into by two subsidiaries of the Group. In addition, as disclosed in note 25 to the consolidated financial statements, the Group has not repaid the entrusted loan with the principal amount of RMB150,000,000 together with accrued interests and penalties after the expiry date on 30 January 2015 and up to the date of approval of these financial statements. The Group's mining right of carrying amount of approximately RMB260,191,000 as at 31 December 2015 has been pledged as security of the entrusted loan and is believed to be subject to a frozen order. These conditions indicate the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the foregoing the financial statements have been prepared on a going concern basis. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year taking into consideration the proposed arrangements which include, but not limited to, the followings:

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 BASIS OF PREPARATION (Continued)

(iii) Basis of presentation (Continued)

1. Entrusted loan

As detailed in note 25(b)(ii) to the consolidated financial statements, the entrusted loan is secured by the Group's mining right in Wulatezing Qi, an autonomous region in Inner Mongolia of the PRC and guaranteed by 深圳冠欣礦業集團有限公司 ("First Create Mining") and Mr. Mei Wei the controlling shareholder of the company. First Create Mining and Mr. Mei Wei have undertaken to honour their obligations as guarantors of this entrusted loan under their guarantee agreements and agree to provide adequate funds to settle the entrusted loan and the accrued interests and default penalties.

2. Contingent liabilities on lawsuits and arbitration cases

As detailed in the note 36 to the consolidated financial statements, the Group has contingent liabilities of approximately RMB1,152,898,000 arising from alleged guarantee documents entered into by two subsidiaries of the Group. 深圳市冠欣投資有限公司 ("First Create") as the borrower of the loans in the writs and arbitration cases has undertaken to bear all liabilities, legal duties and losses incurred to the Group arising from the writs and arbitration cases.

3. Additional financial support from the controlling shareholder

Mr. Mei Wei has undertaken the recoverability of certain trade receivables, deposits and other receivables of the Group in aggregated amount of approximately RMB525,264,000 as at 31 December 2015 in case these balances (in whole or in part) are still outstanding as at 31 December 2016.

In addition to the aforesaid financial undertakings made by Mr. Mei Wei and his affiliates, Mr. Mei Wei has further undertaken to provide continuing financial support to the Group to meet its liabilities as they fall due and to maintain the Group as a going concern for a period at least up to 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 BASIS OF PREPARATION (Continued)

(iii) Basis of presentation (Continued)

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

(iv) 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 functional currency of the Company is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB") since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserves in equity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Group made up to 31 December of each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separated from the equity attributable to owners of the Company. Profit or loss attributable to the non-controlling interests are presented separately in the consolidated statement of comprehensive income as an allocation of the Group's results. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

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

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the acquisition method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

3.3 SUBSIDIARIES

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 REVENUE RECOGNITION

Revenue is measured at the fair value for the sale of goods and rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer accepted the goods;

(ii) Dividend income is recognised when the right to receive payment has been established;

(iii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount; and

(iv) Service income is recognised when services are rendered.

3.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	Over the shorter of the term of the leasehold interests in land and the expected useful live of 50 years
Leasehold improvements	3 to 5 years
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 to 8 years

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation on the mining structures is provided to write off the cost of the mining structures using units of production method based on the proven and probable mineral reserves.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Construction in progress represents leasehold buildings, plant and machinery and mining structures under development and is stated at cost less any impairment losses, and is not depreciated.

3.6 PREPAID LAND LEASE PAYMENTS

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 3.10. Amortisation is calculated on a straight line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

3.7 INTANGIBLE ASSETS

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for the intangible assets with finite useful lives is provided on the following bases over their estimated useful lives. Amortisation commences when the intangible assets are available for use.

The mining rights are amortised using units of production method based on the proven and probable mineral reserves.

3.8 SHARE CAPITAL

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company. No gain or loss is recognised in profit or loss on the purchase, sales reissue or cancellation of such shares.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment, prepaid land lease payments and intangible assets are subject to impairment testing.

Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment losses recognised for CGU are charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

In respect of other non-financial assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10 LEASES

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except that property held under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 LEASES (Continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges as the leasee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3.11 FINANCIAL ASSETS

The Group's accounting policies for financial assets are set out below.

Financial assets other than hedging instruments are classified into the following categories (i) financial assets at fair value through profit or loss and (ii) loans and receivables.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed an appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 FINANCIAL ASSETS (Continued)

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

Financial assets at fair value through profit or loss include financial assets held for trading.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
- the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or
- the financial asset contains an embedded derivative that would need to be separate recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 3.4 to the financial statements.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fee that are an integral part of the effective interest rate and transaction cost.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 FINANCIAL ASSETS (Continued)

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

Loss events in respect of a group of financial assets include observable data indicating that there is a measureable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Loans and receivables

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss for the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 FINANCIAL ASSETS (Continued)

(i) Loans and receivables (Continued)

For financial assets other than financial assets at fair value through profit or loss and trade and note receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade and note receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade and note receivables is remote, the amount considered irrecoverable is written off against trade and note receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.12 INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3.13 ACCOUNTING FOR INCOME TAXES

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities for all deductible temporary difference, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 ACCOUNTING FOR INCOME TAXES (Continued)

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in equity if they relate to items that are charged or credited directly to equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if, the Group has the legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.14 EMPLOYEE BENEFITS

(i) Retirement benefit obligations

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. Under the rule of the MPF Schemes, the employer and its employees are each required to make contributions to the scheme of rate specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

The Group also participates in a defined contribution retirement scheme organised by the relevant local government authority in the People's Republic of China (the "PRC"). Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at certain percentage of the local standard basic salaries.

Contributions to the above defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by employees.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 EMPLOYEE BENEFITS (Continued)

(ii) Short-term employee benefit

Provision for bonus due are recognised when the Group has a present legal or constructive obligations as a result of services rendered by employees and a reliable estimate of the obligation can be made.

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Share-based employee compensation

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss with a corresponding credit to equity share option reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3.15 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, bank and cash balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 FINANCIAL LIABILITIES

The Group's financial liabilities include trade and note payables, other payables and accrued charges, amounts due to related companies, financial liabilities at fair value through profit or loss, borrowings and convertible bonds.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 3.19). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

(i) Trade and note payables, other payables and accrued charges

Trade and note payables, other payables and accrued charges are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Bank loans and other loans

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

(iii) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bonds issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included equity as convertible bond equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the convertible bond equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bond is redeemed, the conversion right of the convertible bonds is lapsed on the maturity date, the convertible bond equity reserve is released directly to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 FINANCIAL LIABILITIES (Continued)

(iv) Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 3.10).

3.17 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into or the derivative is separated from the host contracts and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

3.18 RELATED PARTIES

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

(a) has control or joint control of the Group;

(b) has significant influence over the Group; or

(c) is a member of key management personnel of the Group or the Company's parent.

(ii) An entity is related to the Group if any of the following conditions apply:

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 RELATED PARTIES (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

3.19 BORROWING COSTS

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed as incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Captialisation of borrowing costs is suspended during the extended period in which active development of the qualifying assets is suspended.

3.20 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 profit or loss over the period necessary to match then with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in profit or loss on a straight line basis over the expected lives of the related assets.

Government grants related to assets are presented in the consolidated statement of financial position by setting up the grant as deferred income. Government grants relating to income is presented in gross under "Other income" in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 RESEARCH AND DEVELOPMENT EXPENDITURE

Cost associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assests. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

3.22 PROVISIONS AND CONTINGENT LIABILITIES

Provision are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 SEGMENT REPORTING

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive Directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the Directors are determined following the Group's major product and services lines. During the years ended 31 December 2015 and 2014, the Directors manage the Group's operations as a single business segment.

3.24 FOREIGN CURRENCY

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserves in equity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

4. CRITICAL ACCOUNTING ESTIMATES

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to 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:

(i) ESTIMATION OF MINERAL RESERVES

Mining rights and mining structures are amortised and depreciated using units of production method based on the proven and probable mineral reserves. Such estimates are made based on the management's knowledge, experience and industry practice. Estimates which were valid when originally made may need to be updated when new information or techniques become available. By nature, reserves estimates depend to some extent on interpretations and deductions which may prove to be inaccurate. As further information becomes available, the estimates are likely to change.

(ii) DEPRECIATION AND AMORTISATION

The Group depreciates the property, plant and equipment and amortises prepaid land lease payments and the intangible assets in accordance with the accounting policies stated in note 3.5, note 3.6 and note 3.7 respectively. The estimated useful lives reflect the management estimate of the periods that the Group intends to derive future economic benefits from the use of these assets. In particular, the mining rights and mining structures are amortised and depreciated using units of production method, utilising only proved and probable mineral reserves as the depletion base. The estimated mineral reserves reflect the management estimation on the intention to derive future economic benefits from the mining rights (see note 4(i)). The management assesses annually the estimated reserves of the mine. However, the licence period of the mining rights held by the Group expires by January 2019 which is shorter than the estimated useful lives of the mine estimated by the management. Management of the Group is of the opinion that the Group will be able to renew the licence of the mining rights from the relevant authority continuously and at minimal charges. If the expectation differs from the original estimate, such differences will impact the depreciation and the amortisation charged in the year in which such estimate is changed.

(iii) ALLOWANCE FOR AND WRITTEN OFF OF IRRECOVERABLE DEBTS

The Group's management determines the allowance for irrecoverable debts on a regular basis. This estimate is based on the credit history of the Group's debtors, past default experience and the current market condition. When the Group's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, allowance for debts are estimated. The Group's management reassesses the estimations at the reporting dates.

When the Group's management determines the debts are uncollectible, they are written off against the allowance account for the debts.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

4. CRITICAL ACCOUNTING ESTIMATES (Continued)

(iv) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses whether there are any indicators of impairment for all non-financial assets at cash reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or CGU and determines a suitable discount rate in order to calculate the present value of those cash flows.

(v) INCOME TAXES

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax 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 income tax and deferred tax provision in the period in which such determination is made.

(vi) SHARE-BASED PAYMENT COMPENSATION

The share-base payment expense is subject to the limitation of the option pricing model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

(vii) NET REALISABLE VALUE OF INVENTORIES

These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group's management will reassess the estimations at the reporting dates.

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5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, derived from the Group's principal activities recognised during the year is as follows:

	2015 RMB'000	2014 RMB'000
Revenue:		
Sales of goods	**90,992**	119,265
Income from indent trading (note)	**–**	6,811
	90,992	126,076
Other income:		
Bank interest income	**2**	30
Sales of scrap materials	**–**	1,136
Reversal of impairment of trade receivables (note 18)	**150**	–
Gain on settlement of convertible bonds	**37,956**	–
Others	**3**	24
	38,111	1,190

Note:

During the year ended 31 December 2014, the Group entered into indent trading transactions of nonferrous metals and other products and the gross invoiced sale amount was approximately RMB378,693,000. Pursuant to 2009 amendments to IAS 18 Revenue, the Group's sale amounts received from its indent trading are deemed as cash collected on behalf of the principal as an agent. Accordingly, the net amount receivable in return for services performed is recognised as revenue.

6. SEGMENT INFORMATION

The Directors manage the Group's operations as a single business segment. The Group's operations are monitored and strategic decisions are made on the basis of operating results, consolidated assets and liabilities as reflected in the Group's financial statements prepared under IFRSs.

The Group's principal place of operations is in Mainland China. The Group's assets are located in Mainland China. The Group's revenue from external customers in different locations is as follows:

	2015 RMB'000	2014 RMB'000
– Mainland China (domicile)	**90,992**	119,265
– Hong Kong	**–**	6,811
Total revenue	**90,992**	126,076

The geographical analysis of revenue is based on the location of external customers.

There are two (2014: two) customers with whom transactions of each exceed 10% of the Group's revenue during the year ended 31 December 2015. During the year ended 31 December 2015, revenue derived from these customers are approximately RMB70,689,000 and RMB20,177,000 individually (2014: RMB47,966,000 and RMB36,870,000 individually) from the mining operation.

NOTES TO THE FINANCIAL STATEMENTS

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7. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging/(crediting):

	2015 **RMB'000**	2014 RMB'000
Directors' emoluments (note 12(a))	**1,287**	497
Salaries, wages and other benefits	**12,749**	15,910
Retirement benefit schemes contributions (excluding those of Directors)	**580**	410
Total staff costs	**14,616**	16,817
Depreciation of property, plant and equipment		
– Owned	**18,201**	16,819
– Held under finance leases	**297**	397
	18,498	17,216
Cost of inventories recorded as expense	**88,650**	115,851
Amortisation of mining rights	**9,382**	9,157
Amortisation of prepaid land lease payments	**42**	42
Impairment of trade receivables*	**5,563**	1,925
Impairment of other receivables*	**–**	2,200
Impairment of property, plant and equipment*	**167,812**	31,548
Impairment of intangible assets*	**480,113**	97,964
Write-down of inventories to net realisable value*	**24,132**	–
Auditor's remuneration	**770**	673
Operating lease expenses in respect of rented premises	**707**	1,504
Foreign exchange loss/(gain), net	**9**	(21)

* These are included in "Impairment losses and write-down of inventories" in the consolidated statement of comprehensive income.

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8. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank loans	**3,909**	4,319
Interest on other loans	**22,115**	15,056
Interest on convertible bonds	**15,563**	28,866
Interest on other payables	**12,947**	–
Interest on finance lease liabilities	**35**	45
Total finance costs on financial liabilities	**54,569**	48,286
Less: Interest capitalised included in construction in progress (note 13)	**(841)**	(1,514)
	53,728	46,772

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 11.24% (2014: 10.14%) to expenditure on qualifying assets.

9. INCOME TAX CREDIT

(a) Income tax credit in the consolidated statement of comprehensive income represents:

	2015 RMB'000	2014 RMB'000
Current taxation		
– PRC	**–**	–
Deferred taxation (note 27)	**(152,959)**	(34,607)
Total tax credit for the year	**(152,959)**	(34,607)

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2015 and 2014 as the Group had no estimated assessable profits arising in Hong Kong during the years ended 31 December 2015 and 2014. Income tax credit for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

PRC subsidiaries are subject to PRC Enterprise Income Tax at a rate of 25% (2014: 25%). No provision for the PRC Enterprise Income Tax has been made for the years ended 31 December 2015 and 2014 as the PRC subsidiaries have no assessable profits for the years.

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9. INCOME TAX CREDIT (Continued)

(b) The income tax credit for the year can be reconciled to the loss before income tax as per the consolidated statement of comprehensive income as follows:

	2015 RMB'000	2014 RMB'000
Loss before income tax	**(733,537)**	(210,687)
Tax at the domestic income tax rate of 25% (2014: 25%)	**(183,384)**	(52,672)
Tax effect of non-taxable and non-deductible items, net	**13,668**	11,028
Tax effect of tax losses not recognised	**16,873**	4,439
Tax concession	**–**	(9)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(116)**	2,607
Income tax credit for the year	**(152,959)**	(34,607)

(c) At 31 December 2014, the Group had temporary differences amounting to approximately RMB18,363,000 associated with undistributed earnings of subsidiaries. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future.

(d) At 31 December 2015, the Group has unrecognised tax losses of approximately RMB63,559,000 (2014: RMB46,827,000) available for offsetting against future taxable profits of the Group's companies which incurred losses. Under the current tax legislation, tax losses can be carried forward for five years since the year the loss is incurred. These unrecognised tax losses are losses of approximately RMB63,559,000 (2014: RMB46,827,000) that will expire at various dates up to and including 2020 (2014: up to and including 2019). Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

10. DIVIDEND

During the years ended 31 December 2015 and 2014, no dividend was paid or proposed, nor has any dividend been proposed since the reporting date.

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic loss per share is calculated based on the Group's loss for the year attributable to owners of the Company of approximately RMB580,578,000 (2014: RMB176,080,000) divided by the weighted average number of approximately 1,751,308,000 (2014: approximately 1,751,308,000) ordinary shares in issue during the year.

Diluted losses per share for the years ended 31 December 2015 and 2014 are same as the basic loss per share because the impacts of both of the exercise of share options and conversion of the convertible bonds are anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

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12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

The details of Directors' remuneration of each Director for the years ended 31 December 2015 and 2014 are set out below:

Name of Directors	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Employee share option benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Year ended 31 December 2015					
Executive Directors:					
Mr. Mei Ping	**8**	**–**	**–**	**–**	**8**
Ms. Liu Yaling*	**85**	**679**	**–**	**8**	**772**
Mr. Tsang Chung Sing, Edward	**178**	**–**	**–**	**–**	**178**
Non-executive Director:					
Mr. Chan Wai Cheung, Admiral	**85**	**–**	**–**	**–**	**85**
Independent non-executive Directors:					
Mr. Ng Man Kwan, Lawrence	**65**	**–**	**–**	**–**	**65**
Mr. Cheng Feng	**57**	**–**	**–**	**–**	**57**
Mr. Siu Kai Chun	**49**	**–**	**–**	**–**	**49**
Mr. Chan Siu Lun	**16**	**–**	**–**	**–**	**16**
Mr. Kwan Man Kit, Edmond	**24**	**–**	**–**	**–**	**24**
Ms. He Qing	**33**	**–**	**–**	**–**	**33**
	600	**679**	**–**	**8**	**1,287**
Year ended 31 December 2014					
Executive Directors:					
Mr. Mei Ping	95	–	–	–	95
Dr. Yu Heng Xiang	–	–	–	–	–
Mr. Tsang Chung Sing, Edward	143	–	–	–	143
Independent non-executive Directors:					
Mr. Chan Siu Lun	95	–	–	–	95
Mr. Chen Mingxian	16	–	–	–	16
Mr. Kwan Man Kit, Edmond	53	–	–	–	53
Ms. He Qing	95	–	–	–	95
	497	–	–	–	497

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12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(A) DIRECTORS' EMOLUMENTS (Continued)

* Ms. Liu Yaling ("Ms. Liu") is one of the five highest paid individuals in the Group during the year ended 31 December 2015. Before the date of appointment of director, Ms. Liu's salaries and other emoluments and retirement scheme contributions were approximately RMB608,000 and RMB6,000 respectively. Taking into account Ms. Liu's director's remuneration as per above, her total salary and other emoluments and retirement scheme contributions for the year ended 31 December 2015 were approximately RMB1,372,000 and RMB14,000 respectively.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the years ended 31 December 2015 and 2014.

(B) EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group during the year included two of the Directors (2014: none), details of whose emoluments have been disclosed in note (a) above. The emoluments of the remaining three (2014: five) highest paid individuals for the year are as follows:

	2015 **RMB'000**	2014 RMB'000
Basic salaries, bonus and allowances	**1,450**	3,681
Retirement benefits scheme contribution	**42**	63
	1,492	3,744

The emoluments of the remaining individuals fell within the following bands:

	2015	2014
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**–**	2

During the years ended 31 December 2015 and 2014, 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.

The emoluments of the members of senior management fell within the following bands:

	2015	2014
Nil to HK$1,000,000	**3**	6
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**1**	–

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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2013								
Cost	162,598	–	155,750	64,552	1,856	7,749	27,406	419,911
Accumulated depreciation	(43,827)	–	(37,364)	(46,522)	(1,604)	(5,910)	(5,219)	(140,446)
Net carrying amount	118,771	–	118,386	18,030	252	1,839	22,187	279,465
Year ended 31 December 2014								
Opening net carrying amount	118,771	–	118,386	18,030	252	1,839	22,187	279,465
Additions	142	45	5,489	138	20	123	6,130	12,087
Disposal of subsidiaries	4,511	–	9,555	6,572	–	–	(20,638)	–
Depreciation	(3,199)	(17)	(1,583)	(11,510)	(168)	(739)	–	(17,216)
Impairment loss (note c)	(13,894)	–	(15,238)	(1,354)			(1,062)	(31,548)
Exchange realignment	–	–	–	–	–	3	–	3
Closing net carrying amount	106,331	28	116,609	11,876	104	1,226	6,617	242,791
At 31 December 2014								
Cost	167,251	45	170,794	71,262	1,152	7,872	12,898	431,274
Accumulated depreciation and impairment	(60,920)	(17)	(54,185)	(59,386)	(1,048)	(6,646)	(6,281)	(188,483)
Net carrying amount	106,331	28	116,609	11,876	104	1,226	6,617	242,791
Year ended 31 December 2015								
Opening net carrying amount	**106,331**	**28**	**116,609**	**11,876**	**104**	**1,226**	**6,617**	**242,791**
Additions	**–**	**–**	**31,678**	**1,322**	**349**	**–**	**2,568**	**35,917**
Depreciation	**(4,466)**	**(23)**	**(1,866)**	**(11,731)**	**(71)**	**(341)**	**–**	**(18,498)**
Impairment loss (note c)	**(66,088)**	**–**	**(95,245)**	**(648)**	**–**	**–**	**(5,831)**	**(167,812)**
Exchange realignment	**–**	**1**	**–**	**–**	**1**	**–**	**–**	**2**
Closing net carrying amount	**35,777**	**6**	**51,176**	**819**	**383**	**885**	**3,354**	**92,400**
At 31 December 2015								
Cost	**167,251**	**45**	**202,472**	**72,584**	**1,501**	**7,872**	**15,466**	**467,191**
Accumulated depreciation and impairment	**(131,474)**	**(39)**	**(151,296)**	**(71,765)**	**(1,118)**	**(6,987)**	**(12,112)**	**(374,791)**
Net carrying amount	**35,777**	**6**	**51,176**	**819**	**383**	**885**	**3,354**	**92,400**

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13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) The net carrying amount of the Group's property, plant and equipment held under financial lease arrangement included in the total amount of motor vehicles at 31 December 2015 amounted to nil (2014: approximately RMB297,000).

(b) Included in additions to construction in progress for the year ended 31 December 2015 was capitalised borrowing cost of approximately RMB841,000 (2014: RMB1,514,000) (note 8).

(c) For the year ended 31 December 2015, provisions for impairment loss of buildings, mining structures, plant and machinery and construction in progress relating to the mining CGU of RMB66,088,000 (2014: RMB13,894,000), RMB95,245,000 (2014: RMB15,238,000), RMB648,000 (2014: RMB1,354,000) and RMB5,831,000 (2014: RMB1,062,000) respectively, were recognised in profit or loss to write down to their recoverable amounts, totally RMB167,812,000 (2014: RMB31,548,000) (note 14).

14. INTANGIBLE ASSETS

	Mining right RMB'000
At 1 January 2014	
Cost	1,123,998
Accumulated amortisation and impairment	(267,191)
Net carrying amount	856,807
Year ended 31 December 2014	
Opening net carrying amount	856,807
Amortisation	(9,157)
Impairment loss	(97,964)
Closing net carrying amount	749,686
At 31 December 2014	
Cost	1,123,998
Accumulated amortisation and impairment	(374,312)
Net carrying amount	749,686
Year ended 31 December 2015	
Opening net carrying amount	**749,686**
Amortisation	**(9,382)**
Impairment loss	**(480,113)**
Closing net carrying amount	**260,191**
At 31 December 2015	
Cost	**1,123,998**
Accumulated amortisation and impairment	**(863,807)**
Net carrying amount	**260,191**

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14. INTANGIBLE ASSETS (Continued)

Mining right represent the right for mining in Wulatezhong Qi, an autonomous region in Inner Mongolia of the PRC with an aggregate mining area of approximately 1.1014 square kilometer. The mining right will expire in January 2019. In the opinion of the Directors, the Group will be able to renew the licence of the mining right from the relevant authority continuously and at minimal charges.

At 31 December 2015, the Group's mining right at the net carrying amount of approximately RMB260,191,000 (2014: RMB749,686,000) was pledged to the entrusted loan of the Group (note 25(b)(ii)).

The Directors have carefully reviewed the recoverable amount of the CGU of the mining business to which the intangible assets and property, plant and equipment belong by reference to the professional valuation as at 31 December 2015, performed by an independent professional valuer. The recoverable amount of the CGU of RMB353,000,000 (2014: RMB993,000,000) was determined based on a value in use calculation using discounted cash flow technique with discount rate of 14.5% (2014: 12.3%), covering a detailed 5-year budget plan followed by an extrapolation of expected cash flows at the growth rate of 3% (2014: 3%). The key assumptions adopted in the value in use calculation relate to the renewal of mining operating permit, estimated reserves, estimated productivity and the estimated prices of mineral resources.

During the year ended 31 December 2015, due to the adverse business environment of nonferrous metals market, the carrying amounts of the aggregated assets of the mining CGU are higher than the recoverable amount. A total impairment loss of RMB647,925,000 (2014: RMB129,512,000) was being identified for the mining CGU. The impairment loss is charged pro rata to the assets in the CGU related to the mining operations. For the year ended 31 December 2015, impairment loss in respect of the property, plant and equipment and intangible assets of RMB167,812,000 (2014: RMB31,548,000) (note 13(c)) and RMB480,113,000 (2014: RMB97,964,000), respectively, were recognised as expense in profit or loss immediately for the amounts by which the assets' carrying amounts exceed their recoverable amounts.

As detailed in note 25(b)(ii) below, the Group defaulted on the repayment of the principal amount on the entrusted loan and the accrued interest thereof during the year. Given the Group's mining right was pledged to the entrusted loan, the management of Jiashengpah believes that the Group's mining right is subject to the frozen order.

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15. PREPAID LAND LEASE PAYMENTS

	2015 **RMB'000**	2014 RMB'000
At 1 January		
Cost	**2,114**	2,114
Accumulated amortisation	**(233)**	(191)
Net carrying amount	**1,881**	1,923
Year ended 31 December		
Opening net carrying amount	**1,881**	1,923
Amortisation	**(42)**	(42)
Closing net carrying amount	**1,839**	1,881
At 31 December		
Cost	**2,114**	2,114
Accumulated amortisation	**(275)**	(233)
Net carrying amount	**1,839**	1,881
Analysed for reporting purposes as:		
Current assets	**42**	42
Non-current assets	**1,797**	1,839
	1,839	1,881

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16. LIST OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2015 are as follows:

Name	Place of incorporation/ registration and operations	Particulars of issued capital/ registered capital	Effective interest held by the Group Direct	Effective interest held by the Group Indirect	Principal activities
China Nonferrous Metals Management Limited	HK	HK$2,000,000	100%	–	Trading of nonferrous metals
Yongbao Resources Exploitation and Development Limited	BVI	US$1	100%	–	Investment holding
Straight Upward Investments Limited ("Straight Upward")	BVI	US$100	–	100%	Investment holding and trading of derivative financial instruments
Sky King Development Limited	HK	HK$1	–	100%	Investment holding and Trading of derivative financial instruments
Ruirui	PRC	RMB161,045,269	–	100%	Investment holding and trading of nonferrous metals, and derivative financial instruments
Jiashengpan	PRC	RMB150,000,000	–	100%	Mining and processing of mineral resources and holding of mining licence in the PRC
Ever Champion Holdings Limited	HK	HK$10	–	100%	Investment holding
深圳永智礦業有限公司	PRC	RMB10,014,610	–	100%	Investment holding
深圳市朗通貿易有限公司	PRC	RMB100,000	–	100%	Investment holding

The above table lists the Group's subsidiaries which, in the opinion of the directors, principally affect the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE FINANCIAL STATEMENTS

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17. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	**19,158**	16,475
Finished goods	**136,450**	12,370
	155,608	28,845
Less: Provision for impairment loss	**(24,132)**	–
	131,476	28,845

18. TRADE AND NOTE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade and note receivables	**134,122**	164,847
Less: Provision for impairment loss	**(7,338)**	(1,925)
	126,784	162,922

Movement in the provision for impairment of trade and note receivables is as follows:

	2015 RMB'000	2014 RMB'000
Balance at the beginning of the year	**1,925**	–
Impairment loss recognised during the year	**5,563**	1,925
Reversal of impairment	**(150)**	–
Balance at the end of the year	**7,338**	1,925

The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 3.11.

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18. TRADE AND NOTE RECEIVABLES (Continued)

The ageing analysis of the trade and note receivables (net of allowance for impairment) based on invoice dates, as of the end of reporting period is as follows:

	2015 RMB'000	2014 RMB'000
0 to 60 days	**740**	16,503
61 to 120 days	**–**	6
121 to 180 days	**5,890**	5,569
181 to 365 days	**3,858**	140,844
Over 365 days	**116,296**	–
	126,784	162,922

The ageing analysis of these trade and note receivables (net of allowance for impairment) that are neither individually nor collectively considered to be impaired are as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**740**	13,681
1 to 60 days past due	**–**	2,828
61 to 120 days past due	**–**	5,569
121 to 180 days past due	**9,748**	109,876
181 to 365 days past due	**–**	30,968
Over 365 days past due	**116,296**	–
At end of year	**126,784**	162,922

The Group has a policy of allowing trade customers with credit normally within 90 days (2014: 90 days).

As at 31 December 2015, the Group has determined trade receivables of approximately RMB126,044,000 (2014: RMB149,241,000) were past due but not impaired. These receivables related to a number of independent customers for whom there is no recent history of default. Based on past experience and settlement subsequent to the reporting date, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Trade and note receivables that were neither past due nor impaired related to certain independent customers that have a good track record with the Group. The Group does not hold any collateral or other credit enhancements over these balances.

As at 31 December 2014, trade receivables with carrying amount of approximately RMB33,334,000 related to two companies that a director of a subsidiary of the Group, appointed on 26 December 2014 and resigned on 28 February 2015, has beneficial interest in these company or its holding Company. The contracts entered by the Group with the aforesaid company were prior to his appointment as a director of a subsidiary of the Group.

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19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Other receivables	**155,723**	174,071
Less: Provision for impairment loss	**(2,200)**	(2,200)
	153,523	171,871
Deposits	**296,010**	339,734
Prepayments	**14,861**	29,754
	464,394	541,359

Movement in the provision for impairment of other receivables is as follows:

	2015 RMB'000	2014 RMB'000
Balance at the beginning of the year	**2,200**	–
Impairment loss recognised during the year	**–**	2,200
Balance at the end of the year	**2,200**	2,200

The Directors consider that no further impairment of other receivables is necessary as there was no recent history of default in respect of these debtors.

The Directors consider that the fair values of current portion of deposits and other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

As at 31 December 2014, other receivables, deposits and prepayments with carrying amount of approximately RMB118,815,000 related to two companies that a director of a subsidiary of the Group, appointed on 26 December 2014 and resigned on 28 February 2015, has beneficial interest in these companies. The contracts entered by the Group with these companies were prior to his appointment as a director of a subsidiary of the Group.

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20. AMOUNT DUE FROM A RELATED COMPANY

	2015 RMB'000	2014 RMB'000
烏蘭察布市白乃廟銅業有限責任公司	**2,035**	1,880

Details of the amount due from a related company are as follows:

Name of borrower	**烏蘭察布市白乃廟銅業有限責任公司** RMB'000
Balance of the relevant loans	
At 1/1/2014	482
At 31/12/2014 and 1/1/2015	1,880
At 31/12/2015	2,035
Maximum balance outstanding:	
– during the year ended 31 December 2015	2,035
– during the year ended 31 December 2014	1,880

The Company's director, Mr. Mei Ping is a director of the related company and the Company substantial shareholder, Mr. Mei Wei, is a key management personnel and has beneficial interest in the related company.

The amount due is unsecured, non-interest bearing and repayable on demand.

21. CASH AND BANK BALANCES

	2015 RMB'000	2014 RMB'000
Cash in hand	**56**	7,512
Cash at bank	**6,589**	29,533
Cash and cash equivalents	**6,645**	37,045

Cash at bank earns interest at floating rates based on daily bank deposit rates.

As at 31 December 2015, the Group had cash and bank balances denominated in RMB amounting to approximately RMB186,000 (2014: approximately RMB7,866,000), which were deposited with banks in the PRC and held in hand. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

As detailed in note 25(b)(ii), one of the bank accounts of Jiashengpan of approximately RMB533 is frozen according to a court order subsequent to 31 December 2015.

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22. TRADE AND NOTE PAYABLES

The ageing analysis of trade and note payables is as follows:

	2015 RMB'000	2014 RMB'000
0 to 90 days	**5,611**	16,589
91 to 180 days	**25,196**	4,224
181 to 365 days	**5,486**	10,092
Over 365 days	**36,089**	19,830
	72,382	50,735

23. OTHER PAYABLES AND ACCRUED CHARGES

	2015 RMB'000	2014 RMB'000
Other payables (note a)	**347,237**	42,079
Accrued interest charges (note b)	**35,408**	19,782
Other accrued charges	**963**	8,261
	383,608	70,122
Classified as:		
Current liabilities	**100,240**	70,122
Non-current liabilities	**283,368**	–
	383,608	70,122

(a) Included in the other payables as at 31 December 2015 are (i) an outstanding amount of approximately RMB281,356,000 (2014: nil) due to Ruffy The amount is unsecured, interest bearing at 3% per annum and repayable on 9 July 2017; (ii) an outstanding amount of approximately RMB4,807,000 (2014: nil) due to Ms Liu. The amount is unsecured, interest bearing at 3% per annum and repayable on 31 December 2016; and (iii) an outstanding amount of approximately RMB3,350,000 (2014: nil) due to an independent third party. The amount is unsecured, interest bearing at 3% per annum and repayable on 31 December 2016.

(b) Included in accrued interest charges are interest payable to Ruffy, Ms. Liu and an independent third party of approximately RMB2,012,000 (2014: RMB 8,838,000), RMB582,000 (2014: RMB417,000) and RMB655,000 (2014: RMB 526,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

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24. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies in which Mr. Mei Ping and Mr. Mei Wei have beneficial interest or directorship in these companies are unsecured, non-interest bearing and repayable on demand.

25. BORROWINGS

	Notes	**Original currency**	**2015 RMB'000**	2014 RMB'000
Finance lease liabilities	(a)	HK$	**–**	267
Bank loans – unsecured	(b)	RMB	**44,600**	44,600
Other loan – secured	(b)	RMB	**150,000**	150,000
			194,600	194,867

Notes:

(a) Finance lease liabilities

During the year ended 31 December 2014, the Group has leased its motor vehicle under a finance lease. Finance lease liabilities are effectively secured as the rights to lease asset revert to the lessor in the event of default. These leases do not have options to renew or any contingent rental provisions.

The analysis of the obligations under finance leases is as follows:

	2015 RMB'000	2014 RMB'000
Amounts payable:		
Within one year	**–**	300
Less: Future finance charges on finance lease	**–**	(33)
Present value of finance lease liabilities	**–**	267
The present value of finance lease liabilities is as follows:		
Within one year	**–**	267
Less: Portion due within one year included under current liabilities	**–**	(267)
Non-current portion included under non-current liabilities	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

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25. BORROWINGS (Continued)

Notes:

(b) Bank and other loans

	2015 **RMB'000**	2014 RMB'000
Repayable:		
Within one year or on demand		
Bank loans (note i)	**44,600**	44,600
Other loan – entrusted loan (note ii)	**150,000**	150,000
	194,600	194,600

(i) Bank loans

As at 31 December 2015, the bank loans of the Group were guaranteed by First Create, 烏蘭察布市白乃廟銅業有限責任公司 and Mr. Mei Ping in the principal amount of RMB44,600,000 (2014: RMB44,600,000).

The Group had obtained renewal for these bank loan facilities during the year. Accordingly, the interest rate of the bank loans had changed from 9.0% to 7.5% (2014: 9.0%) per annum during the year.

(ii) Other loan – entrusted loan

Pursuant to the loan agreement dated 25 January 2013 (the "Loan Agreement") entered into among (i) an enterprise (the "Lender") established in the PRC as the entrusted lender; (ii) Jiashengpan as the borrower; and (iii) a licensed bank (the "Bank Trustee") established in the PRC as the trustee, the Lender entrusted the Bank to advance a loan (the "Loan") in the sum of RMB150,000,000 to Jiashengpan for a term of 2 years commencing from 31 January 2013 and ending to 30 January 2015 (both dates inclusive) at the interest rate of 10% per annum.

The Loan was secured by (i) personal guarantee given by Mr. Mei Wei; (ii) corporate guarantee given by First Create Mining; and (iii) pledging of the mining right owned by Jiashengpan (note 14).

The Loan Agreement expired on 30 January 2015. No repayment of any principal amount on the Loan in the sum of RMB150,000,000 and the interest accrued has been made by Jiashengpan or any member of the Group before and after the expiry thereof (the "Default"). As at 31 December 2015, the total default amount was approximately RMB181,389,000, including principal amount of the Loan RMB150,000,000, accrued interest of approximately RMB7,950,000 and estimated penalties of approximately RMB23,439,000.

The Group has received the a notice (the "Notice") dated 23 February 2016 from the High People's Court of Jiangxi Province notifying Jiashengpan to defend against the Writ (as defined below) in April 2016. Enclosed therewith the Notice, (i) a writ (the "Writ") of civil summon dated 29 December 2015 brought by the Bank Trustee and the Lender at the High People's Court of Jiangxi Province against Jiashengpan, First Create Mining and Mr. Mei Wei for the Default; and (ii) a court order dated 20 January 2016 made by the High People's Court of Jiangxi Province against Jiashengpan, First Create Mining and Mr. Mei Wei to impound, freeze and distress their respective bank savings and/or assets of value equivalent to approximately RMB176,002,000. As confirmed by the management of Jiashengpan, one of the bank accounts of Jiashengpan of approximately RMB533 is frozen accordingly to the court order after the year ended 31 December 2015.

First Create Mining and Mr. Mei Wei have undertaken to honour their obligations as guarantors of this loan under their guarantee agreements.

NOTES TO THE FINANCIAL STATEMENTS

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26. CONVERTIBLE BONDS

On 9 July 2008, the Company issued convertible bonds with a principal amount of HK$756,900,000 (the "2008 Convertible Bonds"), which bear coupon interest rate at 3% per annum payable semi-annually in arrears. The 2008 Convertible Bonds were issued as part of the consideration for the acquisition of entire issued share capital of Straight Upward and its subsidiaries. The 2008 Convertible Bonds due originally on 9 July 2015 are convertible into fully paid ordinary shares with a par value of HK$0.0004 each of the Company at an initial conversion price of HK$0.22, subject to adjustments on the occurrence of dilutive or concentrative event. Upon the share consolidation becoming effective on 20 June 2013, the conversion price of the 2008 Convertible Bonds has been adjusted to HK$1.10.

The Company has not redeemed any of the 2008 Convertible Bonds since the issuance. Pursuant to a deed of set-off entered by the Company and Ruffy during the year ended 31 December 2009, Ruffy agreed to set off profit guarantee shortfalls by deducting a principal amount of approximately HK$80,488,000 from the 2008 Convertible Bonds held by Ruffy. Since the date of issuance, principal amount of approximately HK$294,374,000 has been converted into approximately 1,338,065,000 shares of the Company.

The maturity date of the 2008 Convertible Bonds with principal amount of HK$382,038,000 is 9 July 2015. No conversion of any the 2008 Convertible Bonds has been made by the bondholders from 1 January 2015 to 9 July 2015, the maturity date of the 2008 Convertible Bonds.

According to the clause of an instrument dated 9 July 2008 executed by the Company constituting the 2008 Convertible Bonds (the "2008 Convertible Bonds Instrument"), the conversion right attached to the 2008 Convertible Bonds shall be exercised from the date of issue of the 2008 Convertible Bonds up to 4:00 p.m. on the maturity date of the 2008 Convertible Bonds, i.e. 9 July 2015. Therefore the conversion right attached to the 2008 Convertible Bonds was lapsed.

On 9 July 2015, none of the outstanding 2008 Convertible Bonds with principal amount of HK$382,038,000 were redeemed at its principal amount, inclusive of any interest as accrued.

An amount of approximately RMB118,673,000 originally recognised in convertible bonds equity reserve was transferred to accumulated losses upon lapse of the conversion right attached to the 2008 Convertible Bonds.

NOTES TO THE FINANCIAL STATEMENTS

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26. CONVERTIBLE BONDS (Continued)

On 25 March 2015, Ruffy has undertaken not to demand immediate repayment in part or in whole for the redemption of the outstanding 2008 Convertible Bonds with principal amount of HK$372,298,000 held by Ruffy ("Ruffy Bonds") on the maturity date until 9 July 2017 or such later date as the Company and Ruffy may agree in writing (the "Extension Letter"). Hence, Ruffy Bonds was classified as other payables (note 23) as at 31 December 2015 with a gain on settlement of 2008 Convertible Bonds of approximately RMB37,956,000.

It was noted that the Ruffy Bonds have been pledged by Ruffy to a mortgagee and on 8 July 2015, the Company received a legal letter from a legal representative of the mortgagee of the Ruffy Bonds which states that the Extension Letter, shall be deemed null and void ab initio because the mortgagee as the beneficiary under the charge over Ruffy Bonds doses not agree to and will not endorse the Extension Letter.

The Directors are in the opinion that without further actions taken by the legal representative of the mortgagee regarding validity of the extension letter, the Extension letter is still considered as legal binding between Ruffy and the Company.

On 29 February 2016, the remaining bondholders of the 2008 Convertible Bonds have also undertaken not to demand immediate repayment in part or in whole for the redemption of the outstanding 2008 Convertible Bonds with principal amount of HK$9,740,000 held by the remaining bondholders (the "Remaining 2008 Convertible Bonds") on the maturity date until 31 December 2016. Hence, the Remaining 2008 Convertible Bonds was classified as other payables (note 23) as at 31 December 2015.

On initial recognition, the fair value of the liability component of the convertible bonds was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost under the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

26. CONVERTIBLE BONDS (Continued)

The 2008 Convertible Bonds/Bonds recognised in the statements of financial position were calculated as follows:

	2008 Convertible Bonds RMB'000
Liability component	
Net carrying amounts at 1 January 2014	270,678
Interest expenses	28,866
Interest paid and accrued	(9,080)
Exchange realignment	1,146
Net carrying amounts at 31 December 2014 and 1 January 2015	**291,610**
Interest expenses	**15,563**
Interest paid and accrued	**(4,606)**
Gain on settlement of Ruffy Bonds	**(37,956)**
Settled by other payables	**(271,686)**
Exchange realignment	**7,075**
Net carrying amounts at 31 December 2015	**–**

Interest expense on the 2008 Convertible Bonds is calculated using the effective interest method by applying the effective interest rate of 10.18% to the adjusted liability component.

NOTES TO THE FINANCIAL STATEMENTS

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27. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are calculated in full on temporary differences under the liability method using principal taxation rate of 25% (2014: 25%).

The movement on deferred tax assets and liabilities during the year is as follows:

	Impairment losses of property, plant and equipment RMB'000	Accelerated tax depreciation RMB'000	Fair value adjustment of mining rights RMB'000	Total RMB'000
At 1 January 2014	16,564	(2,276)	(201,954)	(187,666)
Credit/(Charge) for the year (note 9)	7,886	(60)	26,781	34,607
At 31 December 2014 and 1 January 2015	**24,450**	**(2,336)**	**(175,173)**	**(153,059)**
Credit for the year (note 9)	**30,500**	**85**	**122,374**	**152,959**
At 31 December 2015	**54,950**	**(2,251)**	**(52,799)**	**(100)**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2015 RMB'000	2014 RMB'000
Deferred tax assets	**54,950**	24,450
Deferred tax liabilities	**(55,050)**	(177,509)
	(100)	(153,059)

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28. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.002 each at 1 January 2014, 31 December 2014 and 2015	25,000,000	50,000

	Number of shares '000	Amount RMB'000
Issued:		
Ordinary shares of HK$0.002 each at 1 January 2014, 31 December 2014 and 2015	1,751,308	3,107

29. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to the resolutions of the shareholders passed on 16 February 2005 for the primary purposed of providing the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with incentives to work better for the interest of the Group and/or rewards for their contribution and support to the Group. The board of Directors may, at its discretion, invite (i) employees of the Company (whether full-time or part-time) or any of its subsidiaries or associated companies; (ii) chief executive, Directors (whether executive Directors or non-executive Directors or independent non-executive Directors) of the Company or any its subsidiaries or associated companies; (iii) any shareholder of any member of the Company or any of its subsidiaries or associated companies; (iv) suppliers of good and/or services to the Company or any of its subsidiaries or associated companies; (v) any customers of the Company or any of its subsidiaries or associated companies: (vi) any person or entity that provides research, development or other technical support to the Company or any of its subsidiaries or associated companies; (vii) any adviser (technological, technical, financial, legal or otherwise) or consultants engaged by or worked for the Company or any of its subsidiaries or associated companies; and (viii) joint venture partner or counter-party to any business operation or business arrangements of the Group (together, the "Participants" and each a "Participant"), to take up options ("Option") to subscribe for shares at a price calculated in accordance with paragraph below. No performance target is required to be achieved before an option can be exercised.

HK$1.00 is payable by the Participant to the Company on acceptance of the option offer as consideration for the grant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

29. SHARE OPTION SCHEME (Continued)

At the time of adoption of the Share Option Scheme, the Company may seek approval of its shareholders in a general meeting to authorise the Directors to grant options under the Share Option Scheme and any other Share Option Schemes of the Company entitling the grantees to exercise up to an aggregate of 10% (the "Scheme Mandate Limit") of the total number of shares of the Company in issue immediately following completing of the placing (excluding (a) any shares issued pursuant to Share Option Scheme and any other Share Option Schemes of the Company; and (b) any pro rata entitlements to further shares issued in respect of these shares mentioned in (a) unless the Company obtains a fresh approval from the shareholders).

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not more than 10 years to be notified by the board of Directors to each grantee, which period shall commence on the date on which an offer of the grant of an Option is accepted or deemed to be accepted or deemed to be accepted in accordance with the terms of the Share Option Scheme and expire on the last day of such period as determined by the Board.

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on 16 February 2005, after which period no further Options will be granted but in respect of all Option which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect. Unless otherwise determined by the Directors of the Company at their discretion, there is no requirement of minimum period of which a share option must be held.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of any ordinary share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

29. SHARE OPTION SCHEME (Continued)

Movement in share options during the year ended 31 December 2015 and 2014 are as follows:

	Number of share options							
Name or category of participant	At the beginning year	Granted during the year	Exercised during the year	Lapsed during the year	At the end of year	Date of grant of share options (note a)	Exercise period of share options	Exercise price of share options HK$
During the year ended 31 December 2015								
Other employees								
In aggregate	**71,702,000**	**–**	**–**	**(71,702,000)**	**–**	**28/07/2010**	**Period 11**	**1.23**
During the year ended 31 December 2014								
Other employees								
In aggregate	300,000	–	–	(300,000)	–	15/05/2009	Period 2	1.08
	1,000,000	–	–	(1,000,000)	–	20/05/2009	Period 4	1.17
	4,468,000	–	–	(4,468,000)	–	04/12/2009	Period 7	1.30
	4,468,000	–	–	(4,468,000)	–	04/12/2009	Period 8	1.30
	6,702,000	–	–	(6,702,000)	–	04/12/2009	Period 9	1.30
	6,702,000	–	–	(6,702,000)	–	04/12/2009	Period 10	1.30
	71,702,000	–	–	–	71,702,000	28/07/2010	Period 11	1.23
	95,342,000	–	–	(23,640,000)	71,702,000			
Suppliers/Advisors								
In aggregate	1,600,000	–	–	(1,600,000)	–	19/05/2009	Period 3	1.10
	700,000	–	–	(700,000)	–	17/08/2009	Period 5	1.36
	2,000,000	–	–	(2,000,000)	–	04/12/2009	Period 6	1.30
	2,000,000	–	–	(2,000,000)	–	04/12/2009	Period 7	1.30
	2,000,000	–	–	(2,000,000)	–	04/12/2009	Period 8	1.30
	3,000,000	–	–	(3,000,000)	–	04/12/2009	Period 9	1.30
	3,000,000	–	–	(3,000,000)	–	04/12/2009	Period 10	1.30
	14,300,000	–	–	(14,300,000)	–			
	109,642,000	–	–	(37,940,000)	71,702,000			

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

29. SHARE OPTION SCHEME (Continued)

Exercise periods of share options are shown as follow:

Period 1	12 June 2008 to 11 June 2013
Period 2	15 November 2009 to 14 May 2014
Period 3	19 May 2009 to 18 May 2014
Period 4	20 March 2010 to 19 May 2014
Period 5	17 June 2010 to 16 August 2014
Period 6	4 December 2009 to 3 December 2014
Period 7	4 December 2010 to 3 December 2014
Period 8	4 December 2011 to 3 December 2014
Period 9	4 December 2012 to 3 December 2014
Period 10	4 December 2013 to 3 December 2014
Period 11	28 July 2010 to 30 May 2015

Notes:

(a) The vesting date of the share options for Periods 1, 3, 6 and 11 are the date of grant. The share options for Period 2 are subject to half year vesting period. The share options for Periods 4 and 5 are subject to ten months vesting period. The vesting period of the share options for Periods 7, 8, 9 and 10 are subject to four, three, two and one years vesting period respectively.

(b) The weighted average exercise prices of share options are as follows:

	Weighted average exercise prices of share options HK$
For the year ended 31 December 2014	
At 1 January 2014	1.168
At 31 December 2014	1.230

(c) The weighted average remaining contractual life of the share options outstanding at 31 December 2014 was approximately 150 days.

The expected life of the options is based on the historical data over one year and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At 31 December 2015, the Company had no share options outstanding (2014: 71,702,000) under the Share Option Scheme, which are exercisable and represented nil (2014: approximately 4.09%) of the Company's share in issue at that date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES		
Non-current asset		
Interests in subsidiaries	–	1,811
Current assets		
Other receivables, deposits and prepayments	3,842	3,607
Amounts due from subsidiaries	444,749	1,380,322
Amounts due from related companies	22,016	20,802
Cash and bank balances	6,214	12,234
	476,821	1,416,965
Current liabilities		
Other payables and accrued charges	13,416	13,230
Amounts due to subsidiaries	52,260	49,377
Amounts due to related companies	85,157	80,460
Convertible bonds	–	291,610
Provision for tax	3,570	3,373
	154,403	438,050
Net current assets	322,418	978,915
Total assets less current liabilities	322,418	980,726
Non-current liabilities		
Other payables and accrued charges	283,368	–
Net assets	39,050	980,726
EQUITY		
Share capital	3,107	3,107
Reserves	35,943	977,619
Total equity	39,050	980,726

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

31. RESERVES

(A) THE GROUP

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

(i) Share premium

The share premium mainly includes shares issued at a premium.

(ii) Capital redemption reserve

The capital redemption reserve of the Group represents the nominal value of the share capital of the Company repurchased and cancelled.

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3.24 to the consolidated financial statements.

(iv) Specific reserve

In accordance with relevant PRC regulations, a subsidiary of the Company is required to provide that production maintenance fee and safety fund and other expense of similar nature are required to be charged to cost of production and credited to a specific reserve.

(v) Other reserve

The other reserve represented the difference between the consideration and the carrying amount of the net assets attributable to the additional interests in subsidiaries being acquired from non-controlling equity holders.

NOTES TO THE FINANCIAL STATEMENTS

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31. RESERVES (Continued)

(B) THE COMPANY

	Share premium RMB'000	Capital redemption reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	970,169	6	(93,191)	50,783	118,673	(43,071)	1,003,369
Loss for the year	–	–	–	–	–	(30,119)	(30,119)
Other comprehensive income							
Currency translation	–	–	4,369	–	–	–	4,369
Total comprehensive income for the year	–	–	4,369	–	–	(30,119)	(25,750)
Lapse of share options	–	–	–	(20,280)	–	20,280	–
At 31 December 2014 and 1 January 2015	**970,169**	**6**	**(88,822)**	**30,503**	**118,673**	**(52,910)**	**977,619**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(966,498)**	**(966,498)**
Other comprehensive income							
Currency translation	**-**	**-**	**24,822**	**-**	**-**	**-**	**24,822**
Total comprehensive income for the year	**-**	**-**	**24,822**	**-**	**-**	**(966,498)**	**(941,676)**
Release upon maturity of convertible bonds	**-**	**-**	**-**	**-**	**(118,673)**	**118,673**	**-**
Lapse of share options	**-**	**-**	**-**	**(30,503)**	**-**	**30,503**	**-**
At 31 December 2015	**970,169**	**6**	**(64,000)**	**-**	**-**	**(870,232)**	**35,943**

NOTES TO THE FINANCIAL STATEMENTS

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32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year ended 31 December 2015, the Group purchased the property, plant and equipment of approximately RMB12,931,000 (2014: Nil) which was transferred from prepayment.

(b) During the year ended 31 December 2014, the Group purchased the property, plant and equipment of approximately RMB4,616,000 which was transferred from the deposits paid for acquisition of property, plant and equipment.

(c) During the year ended 31 December 2015, the Group accrued interest of approximately RMB2,179,000 (2014: nil) which included in the other payables and accrued charges of RMB383,608,000 in the consolidated statements of financial position as at 31 December 2015.

(d) As detailed in note 25(b)(ii), the Group was in default on repayments of the entrusted loan in principal amount of RMB150,000,000 during the year. The total interest and penalties accrued during the year were approximately RMB22,115,000 (2014: nil), which included in the other payables and accrued charges of RMB383,608,000 in the consolidated financial statements of financial position as at 31 December 2015.

(e) As detailed in note 26, the liability component of the 2008 Convertible Bonds of approximately RMB271,686,000 had been reclassified to other payables following its maturity on 9 July 2015.

33. COMMITIMENTS

At the reporting date, the Group had the following outstanding commitments:

(A) OPERATING LEASE ARRANGEMENT

As lessee

At the respective reporting date, the Group had outstanding commitments payable under non-cancellable operating lease in respect of rented premises which fall due as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**151**	759
In the second to fifth years inclusive	**–**	559
	151	1,318

Operating lease payments represent rental payable by the Group for its office premise. Leases are negotiated for terms ranging from one to two (2014: one to two) years. Certain leases contain an option to renew the lease and renegotiated the terms at the expiry dates or at date mutually agreed between the Group and the landlords. None of the leases include contingent rentals.

(B) CAPITAL COMMITMENTS

	2015 **RMB'000**	2014 RMB'000
Property, plant and equipment		
– Contracted but not provided for	**34,988**	41,569

NOTES TO THE FINANCIAL STATEMENTS

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34. RELATED PARTY TRANSACTIONS

(A) Save as disclosed elsewhere in these financial statements, the Group had the following material related party transactions during the year:

	2015 RMB'000	2014 RMB'000
Rental expenses paid to a related company	**53**	211

Rental expenses were paid in accordance to a lease agreement entered between the Group and a related company in which Mr. Mei Wei is a shareholder of the related company. The lease was determined on arm's length negotiation between the parties and had been terminated during the year.

(B) KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration of Directors and other members of key management during the year are follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	**2,620**	3,174
Retirement scheme contribution	**29**	37
	2,649	3,211

(C) As at 31 December 2015, the Group's bank borrowings of RMB44,600,000 (2014: RMB44,600,000) are guaranteed by First Create, 烏蘭察布市白乃廟銅業有限責任公司 and Mr. Mei Ping (note 25).

(D) As at 31 December 2015, the Group's other borrowings of RMB150,000,000 (2014: RMB150,000,000) are guaranteed by First Create Mining and Mr. Mei Wei (note 25).

NOTES TO THE FINANCIAL STATEMENTS

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Board of Directors. The overall objectives in managing financial risk focus on securing the Group's short or medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

(A) CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts presented in the reporting dates relate to the following categories of financial assets and financial liabilities.

	2015 **RMB'000**	2014 RMB'000
Financial assets		
Loans and receivables		
– Trade and note receivables	**126,784**	162,922
– Other receivables	**153,523**	140,666
– Amount due from a related company	**2,035**	1,880
	282,342	305,468
Cash and bank balances	**6,645**	37,045
	288,987	342,513
Financial liabilities		
Measured at amortised cost		
– Trade and note payables	**72,382**	50,735
– Other payables and accrued charges	**383,608**	70,122
– Amounts due to related companies	**4,624**	5,426
– Borrowings	**194,600**	194,867
– Convertible bonds	**–**	291,610
	655,214	612,760

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(B) FOREIGN CURRENCY RISK

Sensitivity analysis

The following table indicates the approximate change in the Group's loss for the year (and accumulated losses) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between Group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates an increase in profit/(loss) and other equity where the RMB strengthens against the relevant currency. For a weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the loss and other equity, and the balances below would be negative.

	2015			2014		
	Increase in foreign exchange rates	**Effect on profit for the year and retained profits RMB'000**	**Effect on other components of equity RMB'000**	Increase in foreign exchange rates	Effect on profit for the year and retained profits RMB'000	Effect on other components of equity RMB'000
HK Dollars	**3%**	**(33)**	**–**	3%	(21)	–
US Dollars	**3%**	**(3,039)**	**–**	3%	(3,450)	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' losses for the year and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2014.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(C) INTEREST RATE RISK

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets, mainly the interest bearing bank balances at prevailing market interest rates. The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest bearing bank balances and at the reporting dates. The analysis is prepared assuming the relevant assets and liabilities outstanding at the reporting date were outstanding for that whole year.

If interest rates had been 1% higher/lower and all other variables were held constant, the loss for the year ended 31 December 2015 would decrease/increase by approximately RMB55,000 (2014: RMB309,000). The assumed changes have no impact on the Group's other components of equity. This is mainly attributable to the Group's exposure to interest rates on its interest bearing bank balances.

(D) PRICE RISK

The derivative financial instruments are stated at fair value and the Group is exposed to quoted future price risk.

Price sensitivity

The sensitivity analysis of the Group's loss after tax and retained earnings/accumulated losses to a reasonably possible change in the fair value of derivative financial instruments until the next annual reporting date is assessed to be immaterial. Changes in fair value of derivative financial instruments have no impact on other components of equity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(E) FAIR VALUES

The carrying amounts of the financial assets and financial liabilities as disclosed under current assets and current liabilities, respectively, approximate their fair values as they are all short term in nature.

The carrying amounts of the financial liabilities as disclosed under non-current liabilities are recognised at amortised cost and approximate their fair values.

The following table presents financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

As at 31 December 2015 and 2014, the Group had no financial assets and liabilities measured at fair value.

(F) CREDIT RISK

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The Company's substantial shareholder, Mr. Mei Wei, has undertaken to indemnify any loss the Group may incur in consequence of any failure or default in repayment of certain receivables and deposits of the Group to minimise the Group's credit risk. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group had concentration of credit risk of its trade and note receivables on two customers (2014: three customers) which represented approximately 92% (2014: approximately 86%) of the aggregate amount of the Group's trade and note receivables as at 31 December 2015.

In the opinion of the Directors, the credit risk on liquid funds, including balances with non-bank financial institutions is limited because the counterparties are reputable banks and financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(G) LIQUIDITY RISK

The management has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining sufficient bank balances and banking facilities. The Group continuously monitors the forecast and actual cash flows and the maturity profiles of financial liabilities.

The Group incurred a loss attributable to the owners of the Company of approximately RMB580,578,000 for the year ended 31 December 2015. As at 31 December 2015, the Group has total contingent liabilities of approximately RMB1,152,898,000 (details disclosed in note 36).

In the opinion of the directors of the Company, the liquidity of the Group can be maintained in the coming year taking into consideration the proposed arrangements which include, but not limited to, the followings:

– Ruffy has undertaken on 25 March 2015 not to demand immediate repayment in whole or in part for all the outstanding principal and interests of the 2008 Convertible Bonds held by Ruffy on the maturity date until the 9 July 2017 or such later date as the Company and Ruffy may agree in writing.

– First Create Mining and Mr. Mei Wei have undertaken to honour their obligations as guarantors of the entrusted loan under their guarantee agreements and agree to provide adequate funds for the entrusted loan repayment.

– First Create as the borrower of the loans regarding to the writs and arbitration cases in note 36, has undertaken to bear all liabilities, legal duties and losses incurred to the Group arising from these writs and arbitration cases.

– Mr. Mei Wei has undertaken the recoverability of certain trade receivables, deposits and other receivables of the Group in aggregated amount of RMB525,264,000 as at 31 December 2015 in case these balances are still outstanding as at 31 December 2016.

– Mr. Mei Wei has further undertaken to provide continuing financial support to the Group to meet its liabilities as they fall due and to maintain the Group as a going concern for a period at least up to 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(G) LIQUIDITY RISK (Continued)

The maturity profile of the Group's financial liabilities as at the reporting date, base on the contracted undiscounted payments, was as follows:

	On demand or less than three months RMB'000	Three to twelve months RMB'000	More than one year RMB'000	Total RMB'000
At 31 December 2015				
Trade and note payables	**72,382**	**–**	**–**	**72,382**
Other payables and accrued charges	**92,083**	**8,157**	**283,368**	**383,608**
Amounts due to related companies	**4,624**	**–**	**–**	**4,624**
Borrowings	**181,389**	**46,273**	**–**	**227,662**
	350,478	**54,430**	**283,368**	**688,276**
At 31 December 2014				
Trade and note payables	50,735	–	–	50,735
Other payables and accrued charges	70,122	–	–	70,122
Amounts due to related companies	5,426	–	–	5,426
Borrowings	152,341	46,808	–	199,149
Convertible bonds	–	306,804	–	306,804
	278,624	353,612	–	632,236

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. CONTINGENT LIABILITIES

During the year ended 31 December 2014, three writs of civil summon (collectively referred to as the "Writs") dated (i) 24 September 2014 (the "First Writ") and has been issued for the repayment of approximately RMB162,577,000 (the "First Claimed Amount"), alleging to be the principal and interest accrued thereon pursuant for a loan agreement dated 15 April 2014 together with the related legal costs at the Intermediate People's Court of Shenzhen City, (ii) 3 November 2014 (the "Second Writ") and has been issued for the repayment of approximately RMB46,486,000 (the "Second Claimed Amount"), alleging to be the principal and interest accrued thereon pursuant to the loan agreement dated 23 May 2012 together with the related legal costs at the Intermediate People's Court of Bayannur; and (iii) 29 December 2014 (the "Third Writ") and has been issued for the repayment of approximately RMB31,737,000 alleging to be the principal, accrued interest and penalties pursuant to the loan agreements together with the related legal costs (the "Third Claimed Amount") at the People's Court of Futian, Shenzhen, the PRC respectively, against First Create. The Company's subsidiary, Jiashengpan, is also a named defendant under the Writs and another subsidiary, Ruirui is also a named defendant under the First Writ. There are some guarantee documents allegedly being executed by Jiashengpan and Ruirui as guarantors for the aforesaid loan agreements.

In addition, some arbitration cases were brought by a third party individual in Shenzhen Arbitration Centre against First Create and Jiashengpan (the "Arbitration Cases") for a claim of total amount of approximately RMB560,324,000 alleging to be the principal, accrued interest and penalties pursuant to the loan agreements together with the related legal costs (the "Other Claimed Amounts"). There are some guarantee documents allegedly being executed by Jiashengpan to guarantee the Other Claimed Amounts.

The Group's management and the Company's legal adviser was in the process of conducting investigation as to the validity and legal enforceability of these alleged guarantees documents. The Group took steps to actively liaise with First Create and the relevant plaintiffs under the writs and arbitration cases to resolve the matters. The Group considered that the validity and legal enforceability of these alleged guarantees documents were in questions and therefore unable to make a reliable estimate of the potential obligation as of the date of approval of 2014 consolidated financial statements. No provision for loss has been made in the consolidated financial statements during the year ended 31 December 2014.

On 25 March 2015, First Create as the borrowers of the aforesaid loans in the writs and arbitration case has undertaken to bear all liabilities, legal duties and losses incurred to the Group arising from the writs and arbitration cases.

On 3 June 2015, the plaintiff under the Second Writ had filed a notice of discontinuation to the court to withdraw its claim against Jiashengpan. As such Jiashengpan is no longer liable for the Second Claimed Amount.

On 7 August 2015, a judgment order was entered into against among other matters, Jiashengpan, Mei Ping, Mei Wei, First Create and other defendants. Each of Jiashengpan, Mei Ping, Mei Wei, First Create and other defendants shall be jointly and severally liable for the judgment debt (the "Third Judgment Debt"), comprising the Third Claimed Amount and the interest accrued thereon. As advised by the PRC legal advisers, Jiashengpan would have the right to claim against First Create, which is the borrower of the Third Claimed Amount, in the event that Jiashengpan is required to pay for the Third Judgment Debt.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. CONTINGENT LIABILITIES (Continued)

On 18 November 2015, a judgment order was entered into against among other matters, Jiashengpan, Ruirui, Mr. Mei Wei, First Create and other defendants. Each of Jiashengpan, Ruirui, Mr. Mei Wei, First Create and other defendants shall be jointly and severally liable for the judgment debt (the "First Judgment Debt"), comprising the First Claimed Amount and the interest accrued thereon. As advised by the PRC legal advisers, Jiashengpan would have the right to claim against First Create, which is the borrower of the First Claimed Amount, in the event that Jiashengpan is required to pay for the First Judgment Debt.

Shenzhen Arbitration Committee (深圳仲裁委員會) passed judgments dated 12 June 2014 against First Create, other PRC companies controlled by Mr. Mei Wei and Jiashengpan. Each of the defendants shall be jointly and severally liable for paying the plaintiff under the Arbitration Cases the total principal sum of RMB525,000,000 and the interest accrued thereon (the "Arbitration Cases Debt"). The judgments were received by the Company during mid of May in 2015.

As at 31 December 2015, the Company considered the First Judgment Debt of RMB215,850,000, the Third Judgment Debt of RMB43,353,000 and the Arbitration Cases Debt of RMB893,695,000 are contingent liabilities of the Group, as it is expected that the obligation will be settled by First Create, Mr. Mei Wei and his affiliates who are jointly and severally liable to these obligations.

37. CAPITAL MANAGEMENT

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly review and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount dividends paid to owners, return capital to owners, issue new shares or raise new debts, or sell assets to reduce debt.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

37. CAPITAL MANAGEMENT (Continued)

The capital-to-overall financial ratio at the reporting date was as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Capital		
Equity attributable to owners of the Company	**346,141**	918,940
Overall financing		
Borrowings	**194,600**	194,867
Convertible bonds	**–**	291,610
Other payables	**289,513**	–
	484,113	486,477
Capital-to-overall financing ratio	**0.72 times**	1.89 times

38. EVENTS AFTER THE REPORTING DATE

As detailed in note 25(b)(ii) to the financial statements, the Group's entrusted loan was in default during the year. Subsequent to 31 December 2015, the Group has received a Notice notifying Jiashengpan to defend against the Writ in April 2016. Enclosed therewith the Notice, (i) a writ of civil summon dated 29 December 2015 brought by the Bank Trustee and the Lender at the High People's Court of Jiangxi Province against Jiashengpan, First Create Mining and Mr. Mei Wei for the Default; and (ii) a court order dated 20 January 2016 made by the High People's Court of Jiangxi Province against Jiashengpan, First Create Mining and Mei Wei to impound, freeze and distress their respective bank savings and/or assets of value equivalent to approximately RMB176,002,000. First Create Mining and Mr. Mei Wei have undertaken to honour their obligations as guarantors of this loan under the guarantee agreements.

In addition, as confirmed by the management of Jiashengpan, one of the bank accounts of Jiashengpan of approximately RMB533 is frozen according to the court order subsequent to 31 December 2015.