中國中盛資源控股有限公司
China Zhongsheng Resources Holdings Limited

(incorporated in the Cayman Islands with limited liability)
Stock Code: 2623

2014 Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Li Xiaoyang
Lin Chu Chang
Zhang Jingsheng

COMPANY SECRETARY

Chan Yuen Ying, Stella *FCIS, FCS, MHKIoD*

AUTHORISED REPRESENTATIVES

Geng Guohua
Chan Yuen Ying, Stella *FCIS, FCS, MHKIoD*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Li Yunde *(Chairman)*
Li Xiaoyang
Zhang Jingsheng

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

As to Hong Kong law:
Loong & Yeung

As to PRC law:
Dacheng Law Offices

As to Cayman Islands law:
Appleby

As to Australian law:
Steinepreis Paganin

As to Thailand law:
Bamrung Suvicha Apisakdi Law Associates

REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTER IN THE PRC

Qin Jia Zhuang
Yangzhuang Town
Yishui County
Shandong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3606, 36th Floor
Tower 6, The Gateway
Harbour City
9 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

STOCK CODE

2623

COMPANY WEBSITE

http://www.chinazhongsheng.com.hk

Dear Shareholders:

I am pleased to present to our shareholders the annual results for the year ended 31 December 2014 on behalf of China Zhongsheng Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group").

BUSINESS REVIEW

The total comprehensive loss attributable to owners of the Company was approximately RMB78.7 million for the year ended 31 December 2014, representing a decrease of approximately RMB188.4 million or approximately 171.8% as compared with total comprehensive income attributable to owners of the Company of RMB109.7 million for the year ended 31 December 2013.

In response to the global iron concentrate market downturn in 2014, the management of the Group carried out their work with the concept of accelerating the transformation of titanium business, improving technological competitiveness, strengthening internal control and broadening sources of income and reducing expenditures and implemented the following measures:

I. Sticking to the Group's development strategy: to accelerate the strategic transformation of titanium business.

Since the 18th CPC National Congress, the national strategy is to continuously adjust the industry structure in economy, and as encouraged by the government, to strengthen the capacity of the manufacturing industry, especially the capacity of the facility manufacturing industry. In light of this, the implementation of national strategies to build a strong navy, air force and aerospace enables the application of titanium materials to become the mainstream of material application. In this regard, the Group initially obtained resources and support from the government, and made positive exploration, research and integration in various aspects including the design of titanium materials whole process industry and merger of companies of the titanium materials industry chain. During the year, the Group relied on iron concentrate as the basis and titanium concentrate as the key direction to be gradually implemented.

II. With global horizons: to strengthen cooperation with scientific and research institutions, improve titanium processing techniques and enhance the Group's core competitiveness.

1. The Group cooperates with the Institute of Process Engineering of the Chinese Academy of Sciences on researching and developing new mineral processing techniques of Zhuge Shangyu Ilmenite Mine of the Group through various experiments and has achieved periodic results. If such results are implemented successfully, it will improve the average grade of concentrates produced by Zhuge Shangyu Ilmenite Mine and reduce product cost.

2. The Group entered into a Letter of Intent with the Siberian Division of the Russian Academy of Science in relation to the plan to introduce a new technique to efficiently extract titanium from ilmenite mines. The preliminary work of such technique has been reviewed by the Ministry of Science and Technology of the PRC. Such plan is the technological cooperation between nations in respect of dealing with key problems of raising the metallurgy recovery rate of 80% of the titanium of the industry to 95% or above.

3. Shandong Ishine Mining Industry Co., Ltd., an indirect wholly-owned subsidiary of the Group, was approved to establish the Shandong Province Academician Workstation, which will establish Shandong Ishine Mining Academician Workstation with academicians from the Chinese Academy of Sciences to jointly conduct research on new techniques related to hydrometallurgy processing of ilmenite and associated elements with furnace method.

III. To issue warrants and corporate bonds when appropriate, to increase liquidity in the capital market, to enhance the Company's financial strength, so as to lay both shareholders and capital foundations for the Group's long-term development.

IV. Market-oriented: to timely grasp information on market prices, to increase trading, to reduce self-produced products, to control risks and avoid a decrease in operating profit as a result of lower market prices and to maximise the conservation of resources of the Company's own mines.

The iron concentrates market has continued to remain sluggish since 2014. Despite no sign of a decline in market demand, the lower product prices result in low profitability. The business department of the Company delivered daily market briefs by collecting market information through internet and customer channels in order to keep up with market changes and conduct market analysis and guide production and trading and sales. For this purpose, it reduced production capacity moderately while moderately increasing production and inventories if the cash flow of the Company was sufficient and protected crude ores resources.

V. To improve labour productivity of all employees, to reduce wastes while exploiting potentials, and to lower operation costs.

In response to economic downturn, the management adopted measures in respect of internal control of planned layoffs and salary reduction of all employees, which signaled its philosophy of broadening sources of income and reducing expenditures to the enterprises within the Group, the Group as a whole achieved significant results by expanding income source and reducing costs in each process from procurement to production and sales.

VI. To repay loans, to reduce discounting of bills, and to reduce finance cost.

The finance cost was reduced by approximately RMB8.1 million from approximately RMB29.9 million for the year ended 31 December 2013 to approximately RMB21.8 million for the year ended 31 December 2014.

VII. To strengthen supervision and management and to perform the functions of risk control.

The Company strengthened supervision and management over each session of its business. In particular, it controlled its contract management by seriously examining and strictly checking all agreements and contracts of the Company, including examining and countersigning all of the Company's purchase contracts of raw materials and accessories, purchase contracts from external mines and purchase contracts of fixed assets and construction of infrastructural projects, etc., auditing material or large economic contracts and agreements of the Company and monitoring the performance of such contracts. The audit and supervision department tracked and participated in the monitoring work in relation to bulk purchase of equipment and materials and price enquiries and comparisons during the entire process, regulated the execution and examination of contracts in strict compliance with "Measures for Administration of Corporate Contracts" so as to avoid potential risks. No breach of contracts has occurred since this year and risk control functions were well performed.

VIII. Attach importance to the culture of safe production of mines and to accelerate construction of the supporting infrastructure.

1. A safety culture corridor, staff education rooms and propaganda signs were established in the mines to enhance staff education and improve the overall quality of the staff.

2. A monitoring and testing system was established to achieve a real-time supervision over the whole production process, in order to better eliminate rule violations and enhance management and production safety;

3. An underground workers positioning system, underground dual-circuit communication system and underground voice alarm system were established to provide further guarantee for production safety; and

4. A Dispatching Office and Dispatching Station was established with designated persons on duty 24 hours a day to timely dispatch safety production at each session of production in order to ensure production safety.

IX. To strengthen social responsibility, and to realise a unified coordination between resource, environment and social benefits in mining development.

1. The effort on technology innovation and the comprehensive utilisation rate of tailings and recycling rate of iron ore mining were improved;

2. The Group focused on greening of the mining area and ecological environment recovery and management of mines, striving to strike a balance between resources development and environmental protection, ensuring a high greening rate in mining area and maintaining a pleasant ecological environment; and

3. Through establishing a good enterprise-local cooperation relationship and seeking a win-win cooperation model, enables the enterprise development to drive the local social and economic development, creating a harmonious and stable mining environment.

By comprehensively improving resources utilisation rate and technology innovation, conserving energy and reducing emissions, protecting ecological environment and establishing corporate culture, the Group continued to maintain sustainable national green mines with proper structure, sound management and function systems, and significant social, economic and environment benefits.

2015 DEVELOPMENT AND FUTURE PLANS

Under a new economic environment, the Group determines its industrial layout and resolves that it should seize the newly emerged opportunities in the industry. Having analysed all upstream and downstream ilmenite industry chain activities, the Group adopts more accurate industrial positioning and development strategies, thus laying solid foundation for future development. Having conducted market research and analysing all the data comprehensively, the management formulates the following development plans:

I. Production and operation

The Group still relies on iron concentrate as the basis and titanium concentrate as the key direction since the beginning of the new year. It analyses its operating risks in depth and carefully judges the timing for trading. It will timely implement its production plan and seizes the possible trading opportunities, thus maximizing the benefit of the Group.

1. Yangzhuang Iron Mine

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

The Group plans to mine and process approximately 1.4 Mt of iron ores and to produce approximately 0.20 Mt of 65% iron concentrates in 2015 due to market factors. If there is a market downturn in 2015, the Group will further strengthen its mining projects, maintain its own mines and protect resources by appropriately controlling the production and processing, in order to be well-prepared for the production in a boom market. The Group will determine if it will process with part of coarse powders purchased from other suppliers based on profitability to capitalise the production equipment. Meanwhile, the Group shall continue in comprehensive utilisation of tailings resources and improve the overall benefits of maintaining a good environment in Yangzhuang Iron Mine.

2. Zhuge Shangyu Ilmenite Mine

Zhuge Shangyu Ilmenite Mine currently possesses a mining permit with an approved annual mining production scale of 400,000 cubic metres (or approximately 1.2 Mt).

The Group has rented an iron ore processing plant and installed a new titanium processing line in it in 2013. It is currently in production and operation. The Group will use the production line as the platform to strengthen the cooperation with national scientific and research institutions in order to improve titanium processing techniques and control production costs and enhance the value of ilmenite ore.

If the market recovers, the Group will increase its investment in the 2.0 Mt processing line and production line in Zhuge Shangyu Ilmenite Mine in 2013. If it is less profitable or not profitable at all, the Group will reduce its investments. The Group will decide to mine and process its own mines based on the market conditions.

3. Qinjiazhuang Ilmenite

In 2015, the Group will determine whether its will make investment in or conduct production activities at Qinjiazhuang Ilmenite based on market changes.

4. **Luxing Titanium**

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

The Group has set its basic business objectives as protecting resources against resource sell-off and for the interest of shareholders based on the market conditions in 2015. The Group will decide to mine and process its own mines based on profitability.

II. Business relating to capital markets and others

1. Capitalising on the platform of re-financing, the Company placed its new shares at due time, thus continuously broadening its shareholder base and enhancing the liquidity of its shares. Potential merger and acquisition projects, if any, or extension of the Titanium industry chain may be financed.

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

III. Technological innovation and other business

1. In 2015, Shandong Ishine Mining Academician Workstation has been approved for establishment as the basis of closer industry-university-research cooperation for joint research on new techniques relating to hydrometallurgy processing of ilmenite and associated elements with furnace method.

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

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

IV. Fuel oil business

In 2015, the Group will explore new business opportunities. The Group plans to engage in import and sales of fuel oil based on the market conditions to grow new profit for the Group.

The plans and measures for 2015 are set out above. The Group will timely adjust its working plan in due course based on market change in the upcoming year. The Group will make every effort to enhance its talented employees in terms of reserve and training and try its best to implement and review its plan with a view to sustain long term corporate development, thus ensuring the maximisation of the long-term and sustainable interest of investors with all its efforts.

I, on behalf of the management of the Group, express sincere gratitude to all the staff for their efforts in the Company in the past year, and the support from our suppliers, customers and investors.

Li Yunde
Chairman

Hong Kong, 27 March 2015

Management Discussion and Analysis

BUSINESS REVIEW

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

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

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

The shares of the Company ("Shares") were first listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 April 2012, under which a total of 129,760,000 Shares were issued at the offer price of HK$1.23 per Share.

The Group's revenue decreased by approximately RMB241.8 million, or 36.2%, to approximately RMB426.1 million for the year ended 31 December 2014, as compared with RMB667.9 million for the year ended 31 December 2013. The decrease in revenue was primarily due to (1) the decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine by approximately RMB126.4 million; (2) the decrease in the consolidation of sales of iron concentrates produced from ilmenite ore of Zhuge Shangyu and ilmenite ore of Luxing Titanium Mine by approximately RMB1.8 million and RMB59.3 million respectively for the year ended 31 December 2014; (3) the decrease in sales of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately RMB42.5 million, and (4) the decrease in turnover by approximately RMB10.4 million from trading of coarse iron powder from approximately RMB136.0 million for the year ended 31 December 2013 to RMB125.6 million for the year ended 31 December 2014.

The total comprehensive loss attributable to owners of the Company was approximately RMB78.7 million for the year ended 31 December 2014, representing a decrease of approximately RMB188.4 million or approximately 171.8% as compared with total comprehensive income attributable to owners of the Company of RMB109.7 million for the year ended 31 December 2013. This was mainly due to (1) the one-off gain on bargain purchase (a negative goodwill of RMB60.3 million) as a result of the Acquisition, which was completed in the first quarter of 2013. The one-off gain on bargain purchase (negative goodwill) was mainly derived from the difference between the fair value of 95% of Luxing Titanium's identifiable net assets and consideration paid by the Group for the Acquisition; (2) the gross profit decreased by approximately RMB142.9 million, or approximately 99.4% from approximately RMB143.7 million for the year ended 31 December 2013 to approximately RMB0.8 million for the year ended 31 December 2014. The main reasons for the decline were (i) the decrease in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB113.3 million from approximately RMB114.9 million for the year ended 31 December 2013 to approximately RMB1.6 million for the year ended 31 December 2014; (ii) the decrease in gross profit of iron concentrates produced from mixing iron concentrates purchased from the other suppliers and/or produced from the coarse iron powder by approximately RMB15.1 million from approximately RMB17.3 million for the year ended 31 December 2013 to approximately RMB2.2 million for the year ended 31 December 2014; and (iii) the decrease in gross profit of trading of coarse iron powder by approximately RMB6.4 million from approximately RMB6.7 million for the year ended 31 December 2013 to approximately RMB0.3 million for the year ended 31 December 2014; (3) the loss from issuance of non-listed warrants of approximately RMB17.0 million. On 17 July 2014, 144,000,000 non-listed warrants were issued at par value of HK$0.01 each and the exercise price was HK$1.69; and (4) increase in the impairment loss of assets by approximately RMB17.1 million from approximately RMB0.7 million for the year ended 31 December 2013 to approximately RMB17.8 million for the year ended 31 December 2014.

Measures adopted by the management in 2014

In response to the global iron concentrate market downturn in 2014, the management of the Group carried out their work with the concept of accelerating the transformation of titanium business, improving technological competitiveness, strengthening internal control and broadening sources of income and reducing expenditures and implemented the following measures:

I. Sticking to the Group's development strategy: to accelerate the strategic transformation of titanium business

Since the 18th CPC National Congress, the national strategy is to continuously adjust the industry structure in economy, and as encouraged by the government, to strengthen the capacity of the manufacturing industry, especially the capacity of the facility manufacturing industry. In light of this, the implementation of national strategies to build a strong navy, air force and aerospace enables the application of titanium materials to become the mainstream of material application. In this regard, the Group initially obtained resources and support from the government, and made positive exploration, research and integration in various aspects including the design of titanium materials whole process industry and merger of companies of the titanium materials industry chain. During the year, the Group relied on iron concentrate as the basis and titanium concentrate as the key direction to gradually implemented.

II. With global horizons: to strengthen cooperation with scientific and research institutions, improve titanium processing techniques and enhance the Group's core competitiveness

1. The Group cooperates with the Institute of Process Engineering of the Chinese Academy of Sciences on researching and developing new mineral processing techniques of Zhuge Shangyu Ilmenite Mine of the Group through various experiments and has achieved periodic results. If such results are implemented successfully, it will improve the average grade of concentrates produced by Zhuge Shangyu Ilmenite Mine and reduce product cost.

2. The Group entered into a Letter of Intent with the Siberian Division of the Russian Academy of Science in relation to the plan to introduce a new technique to efficiently extract titanium from ilmenite mines. The preliminary work of such technique has been reviewed by the Ministry of Science and Technology of the PRC. Such plan is the technological cooperation between nations in respect of dealing with key problems of raising the metallurgy recovery rate of 80% of the titanium of the industry to 95% or above.

3. Shandong Ishine Mining Industry Co., Ltd., an indirect wholly-owned subsidiary of the Group, was approved to establish the Shandong Province Academician Workstation, which will establish Shandong Ishine Mining Academician Workstation with academicians from the Chinese Academy of Sciences to jointly conduct research on new techniques related to hydrometallurgy processing of ilmenite and associated elements with furnace method.

III. To issue warrants and corporate bonds when appropriate, to increase liquidity in the capital market, to enhance the Company's financial strength, so as to lay both shareholders and capital foundations for the Group's long-term development.

IV. Market-oriented: to timely grasp information on market prices, to increase trading, to reduce self-produced products, to control risks and avoid a decrease in operating profit as a result of lower market prices and to maximise the conservation of resources of the Company's own mines.

The iron concentrates market has continued to remain sluggish since 2014. Despite no sign of a decline in market demand, the lower product prices result in low profitability. The business department of the Company delivered daily market briefs by collecting market information through internet and customer channels in order to keep up with market changes and conduct market analysis and guide production and trading and sales. For this purpose, it reduced production capacity moderately while moderately increasing production and inventories if the cash flow of the Company was sufficient and protected crude ores resources.

V. To improve labour productivity of all employees, to reduce wastes while exploiting potentials, and to lower operation costs.

In response to economic downturn, the management of the Group adopted certain counter measures in respect of internal control:

1. To effectively control human resource expenses at approximately RMB10.7 million by planned layoffs and salary reduction of all employees.

2. To reduce expenses by approximately RMB7.9 million by implementing measures to control travelling expenses and vehicles. Though the amount of savings achieved by the above measures was limited, under the strong leadership of the management, which signalled its philosophy of broadening sources of income and reducing expenditures to the enterprises within the Group, the Group as a whole achieved significant results by expanding income source and reducing costs in each process from procurement to production and sales.

VI. To repay loans, to reduce discounting of bills, and to reduce finance cost.

The finance cost was reduced by approximately RMB8.1 million from approximately RMB29.9 million for the year ended 31 December 2013 to approximately RMB21.8 million for the year ended 31 December 2014, which was mainly due to (1) the decrease in bank loans by approximately RMB38.7 million to approximately RMB171.3 million as at 31 December 2014 from approximately RMB210.0 million as at 31 December 2013, which led to a decrease in interest expense by approximately RMB2.7 million accordingly; and (2) the decrease in interest expense by RMB3.2 million as a result of significant decrease of discounting of bank acceptance bills.

VII. To strengthen supervision and management and to perform the functions of risk control.

The Company strengthened supervision and management over each session of its business. In particular, it controlled its contract management by seriously examining and strictly checking all agreements and contracts of the Company, including examining and countersigning all of the Company's purchase contracts of raw materials and accessories, purchase contracts from external mines and purchase contracts of fixed assets and construction of infrastructural projects, etc., auditing material or large economic contracts and agreements of the Company and monitoring the performance of such contracts. The audit and supervision department tracked and participated in the monitoring work in relation to bulk purchase of equipment and materials and price enquiries and comparisons during the entire process, regulated the execution and examination of contracts in strict compliance with "Measures for Administration of Corporate Contracts" so as to avoid potential risks. No breach of contracts has occurred since this year and risk control functions were well performed.

VIII. Attach importance to the culture of safe production of mines and to accelerate construction of the supporting infrastructure

1. A safety culture corridor, staff education rooms and propaganda signs were established in the mines to enhance staff education and improve the overall quality of the staff.

2. A monitoring and testing system was established to achieve a real-time supervision over the whole production process, in order to better eliminate rule violations and enhance management and production safety;

3. An underground workers positioning system, underground dual-circuit communication system and underground voice alarm system were established to provide further guarantee for production safety; and

4. A Dispatching Office and Dispatching Station was established with designated persons on duty 24 hours a day to timely dispatch safety production at each session of production in order to ensure production safety.

IX. To strengthen social responsibility, and to realise a unified coordination between resource, environment and social benefits in mining development

1. The effort on technology innovation and the comprehensive utilisation rate of tailings and recycling rate of iron ore mining were improved;

2. The Group focused on greening of the mining area and ecological environment recovery and management of mines, striving to strike a balance between resources development and environmental protection, ensuring a high greening rate in mining area and maintaining a pleasant ecological environment; and

3. Through establishing a good enterprise-local cooperation relationship and seeking a win-win cooperation model, enables the enterprise development to drive the local social and economic development, creating a harmonious and stable mining environment.

By comprehensively improving resources utilisation rate and technology innovation, conserving energy and reducing emissions, protecting ecological environment and establishing corporate culture, the Group continued to maintain sustainable national green mines with proper structure, sound management and function systems, and significant social, economic and environment benefits.

OPERATION OVERVIEW AND CAPITAL EXPENDITURE

Yangzhuang Iron Mine

The Group currently possesses a mining permit of Yangzhuang Iron Mine with an approved annual mining production scale of 2.3Mt. 1.8Mt of iron ores were actually mined during 2014 from Yangzhuang Iron Mine.

Normally, the Group plans to mine and process approximately 2.0 Mt of iron ores and produce approximately 330 Kt of 65% iron concentrates. Due to market downturn and the price of iron powders dropped in 2014, the Group exercised appropriate control on production and processing, maintained storage of ores, further strengthened mining engineering work and provided proper maintenance to the mines, in order to be well-prepared for the production in a booming market. Meanwhile, the Group continued to enhance the comprehensive utilisation of tailing resources, so as to improve the overall benefits from maintaining green mines. During 2014, the Group invested approximately RMB28.8 million into Yangzhuang Mine. Approximately 1.7 Mt of iron ores were processed and 226 Kt of 65% iron concentrates were produced.

The technology improvement plan for Yangzhuang Iron Mine, which commenced from 2013 and aimed to reduce the processing cost of iron ores, has completed during the first half of 2014.

There was no exploration activity carried out in Yangzhuang Iron Mine during 2014.

Zhuge Shangyu Ilmenite Mine

Zhuge Shangyu Ilmenite Mine currently possesses a mining permit with an approved annual mining production scale of 400,000 cubic metres (or approximately 1.2Mt). 0.2Mt of ores were actually mined during 2014 from Zhuge Shangyu Ilmenite Mine.

The Group plans to mine and process approximately 0.7Mt of ilmenite ores, and produce approximately 16 Kt of 57% iron concentrates and approximately 18 Kt of 46% titanium concentrates in 2014.

In 2013, the Company rented an iron ore processing plant and installed in it a titanium processing line, which is now put into production and operation. During 2014, approximately 0.2 Mt of titanium ores were processed and approximately 5Kt of 57% iron concentrates and approximately 7Kt of 46% titanium concentrates were produced. Through strengthening further cooperation with national scientific and research institutes under the platform of this production line, the Group improved titanium processing techniques and controlled production cost.

If the market recovers, the Group will increase its investment in the 2.0Mt processing line and production line in Zhuge Shangyu Ilmenite Mine, which was carried out in 2013; if it is less profitable or not profitable at all, the Group will slow down its investments. The Group will first install a processing and production line by utilising idle equipment in other areas and mines, and will determine if it will process with part of coarse powders purchased from other suppliers based on profitability. Then the Group will decide to mine and process its own mines if the price recovers. Due to a market downturn in 2014, the Group slowed its investment in the 2.0Mt processing line and production line in Zhuge Shangyu Ilmenite Mine, which was carried out by the Group with an investment amount of approximately RMB6.9 million and has yet to be finished.

There was no exploration activity carried out in Zhuge Shangyu Ilmenite Mine during 2014.

Qinjiazhuang Ilmenite Project

In 2014, the Group determined the investment and production activities in Qinjiazhuang Ilmenite according to the changes in market conditions and the effectiveness and the cost of the titanium selection test conducted by Luxing Titanium. Due to a market downturn in 2014, Qinjiazhuang Ilmenite Project, which was invested by the Group with an amount of approximately RMB0.9 million, has yet to be put into production.

There was no exploration and mining activity carried out in Qinjiazhuang Ilmenite Mine during 2014.

Luxing Titanium Mine

Luxing Titanium Mine currently possesses a mining permit with an approved annual mining production scale of 1.5Mt. Approximately 0.3Mt ores were actually mined by Luxing Titanium during 2014.

The Company planned to mine and process approximately 1.0Mt ilmenite ores and to produce 60 Kt of 57% iron concentrates and 30 Kt of 20-30% titanium concentrates in 2014.

In 2014, with market downturn, the Company adjusted the processing and production of ilmenite ores depending on market changes. The Company focused on ilmenite tailings purification technology test and studied on reducing the production cost in order to achieve new breakthroughs in cost-saving. In 2014, the Group invested an amount of approximately RMB5.7 million in Luxing Titanium in line with a downturn market, processed approximately 0.3 Mt of titanium ores and produced approximately 17 Kt of 57% iron concentrates and approximately 4 Kt of 20% to 30% titanium concentrates.

There was no exploration activity carried out in Luxing Titanium Mine during 2014.

During 2014, the Group timely adjusted the production plans in line with the market situation and protect its resources and strived for long-term and sustainable economic benefits of the Group, and ensured to maximize the long-term and sustainable interests of the investors.

Gaozhuang Shangyu Ilmenite Project

There was no capital expenditure incurred in Gaozhuang Shangyu Ilmenite Mine in 2014.

There was no mining activity and exploration activity carried out in Gaozhuang Shangyu Ilmenite Mine in 2014.

Bashan Iron Project

There was no capital expenditure incurred in Bashan Iron Mine in 2014.

There was no mining activity and exploration activity carried out in Bashan Iron Mine in 2014.

RESOURCES AND RESERVES OF MINES

The mines and projects owned by the Group have significant iron and titanium ore reserves and resources. According to the report of the independent technical adviser Micromine Consulting Services, as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012, the total aggregate proved and probable reserve of ore in the Yangzhuang Iron Mine was approximately 43.93Mt at an average grade of approximately 24.58% TFe (total iron); the total proved and probable reserve of ore in the Zhuge Shangyu Ilmenite Mine was approximately 546.29Mt at an average grade of approximately 5.69% T_iO_2 and approximately 12.81% TFe (total iron); whereas the total proved and probable reserve of ore in our Qinjiazhuang Ilmenite Project was approximately 86.63Mt at an average grade of approximately 4.50% T_iO_2 and approximately 13.56% TFe (total iron).

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

Yangzhuang Iron Mine

1. Resource reporting cutoff grade: 15% Tfe

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

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

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

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

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

7. Parameters for Short Hole Shrinkage mining method:

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

Reason for the changes in the resources and reserves estimates:

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

Zhuge Shangyu Ilmenite Mine

1. Resource reporting cutoff grade: 9.2% T_iO_2 equivalent

2. Underground Resources and Reserves remain unchanged from the previous (2012) Micromine estimate.

3. Mineral resources are inclusive of the ore reserve.

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

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

6. The Open Pit Ore Reserve block model depletion for the Zhuge Shangyu resource was 0.27Mt grading 5.69% T_iO_2 and 12.78% TFe compared to reported production of 0.26Mt grading 6.75% T_iO_2 and 13.44% TFe for the period from September 2013 to December 2013 inclusive.

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

Reason for the changes in the resources and reserves estimates:

During the period from November 2011 to August 2013, there was no difference in resources and reserves. During the period from September 2013 to December 2014, reserves is reduced by 0.27Mt due to mining activities.

Qinjiazhuang Ilmenite Project

No reported exploration or mining activities have been undertaken at the Qinjiazhuang Ilmenite Project between 1 November 2011 and 31 December 2013. Micromine has concluded that there has been no material change to the Mineral Resources and Reserves for the Qinjiazhuang Ilmenite Project, which remains the same as those published in the previous Micromine report dated 17 April 2012. During the period from 1 January 2014 to 31 December 2014, there was no mining activity and exploration activity carried out under the Qinjiazhuang Ilmenite Project.

Based on (1) the resources and reserves under the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy ("JORC") for the Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine and Qinjiazhuang Ilmenite Project as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012, and (2) the estimated amount of ores mined by the Group from November 2011 to December 2013, the Group's estimated Resources and Reserves as at 31 December 2014 were as follows:

JORC Mineral Resources as of 31 December 2014: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2014)***

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiazhuang Ilmenite Project
Ore reserves (Mt)			
– proved	6.30	199.60	45.33
– probable	31.20	346.20 *(Note)*	41.30
Total ore reserves	37.50	545.80	86.63

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

Grade of total iron (Tfe) (%)			
– proved	24.15	12.78	13.50
– probable	24.65	12.83	13.61
Average grade of total iron (Tfe) (%)	24.55	12.82	13.56
Grade of titanium dioxide (T_iO_2) (%)			
– proved	N/A	5.76	4.52
– probable	N/A	5.65	4.48
Average grade of total titanium dioxide (T_iO_2) (%)	N/A	5.69	4.50

JORC Ore Reserve Estimate as of 31 December 2013:

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiazhuang Ilmenite Project
Ore reserves (Mt)			
– proved	8.10	199.80	45.33
– probable	31.20	346.20 (Note)	41.30
Total ore reserves	39.30	546.00	86.63

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

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

Resources Category	Resources *(Mt)*	SG *(t/m³)*	TFe *(%)*	mFe *(%)*
Measured	11.7	3.25	26.0	10.6
Indicated	50.1	3.25	26.8	10.4
Total Measured and Indicated	61.8	3.25	26.6	10.4
Inferred	17.6	3.22	24.6	8.7
Total Resources	79.4	3.24	26.2	10.0

Note: Numbers have been rounded to reflect that the resources are an estimate.

Note: Resources may not ultimately be extracted at a profit.

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

Resources Category	Resources Tonnes *(Mt)*	SG *(t/m³)*	TiO_2 *(%)*	TFe *(%)*
Measured	372.8	3.19	6.23	14.04
Indicated	261	3.13	6.14	14.18
Total Measured and Indicated	632.8	3.17	6.19	14.10
Inferred	4	3.13	5.92	15.03
Total Resources	636.8	3.16	6.19	14.10

Qinjiazhuang Ilmenite Project Resources Estimate as of 31 December 2014: ***(Note: JORC mineral resources as of 31 December 2013, there was no mining activity and exploration activity carried out during 2014)***

Resources Category	**Tonnes** *(Mt)*	**SG** *(t/m³)*	**TiO_2** *(%)*	**TFe** *(%)*
Measured	46.2	3.23	4.90	14.72
Indicated	42.1	3.19	4.88	14.84
Total Measured and Indicated	88.3	3.21	4.89	14.78
Inferred	11.3	3.29	5.06	15.05
Total Resources	99.6	3.22	4.91	14.81

Luxing Titanium Mine

Luxing Titanium Mine is located in Yishui County, Shandong Province, the PRC. Luxing Titanium holds a mining licence in respect of the Luxing Titanium Mine issued by the Land and Resources Department of Shandong Province (山東省國土資源廳). Luxing Titanium Mine has a mining license which covers a mining area of 0.829 km². According to a resources and reserves verification report in respect of the mine, it was estimated that 0.557 km² of the mining area had approximately 46.4Mt of resources and reserves of Type 333 or above of ilmenite ores as at 31 December 2009 under PRC classification standard with an average grading of iron and titanium contents of approximately 14.6% and 6.6% respectively. As at 31 December 2013, we engaged 8th Institute of Geology and Mineral Exploration of Shandong Province to complete an updated verification report and it was estimated that 0.829 km² of the mining area had approximately 57.2Mt of resources and reserves of Type 333 or above of ilmenite ores with an average grading of iron and titanium contents of approximately 14.5% and 6.6% respectively.

Reasons for the changes in the resources and reserves estimates:

1. The mining area is increased from 0.557 km² to 0.829 km²; and the mining depth is changed from +254.7 meters +150 meters to +255 meters +68 meters, which lead to an increase in the reserves by 12.8Mt.

2. The resource estimation of 4-wire sectional S4-2a area is increased from 3,723.46 m² to 10,396.22 square meters, which lead to an increase in the reserves by 2.17Mt.

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

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

Resources and Reserves Estimate as of 31 December 2014: ***(Note: Resources and Reserves Estimate from an update verification report which was completed by the 8th Institute of Geology and Mineral Exploration of Shandong Province as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2014)***

Resources and Reserves Category	Luxing Titanium
Resources and reserves of Type 333 or above of ilmenite ores (Mt) (under PRC classification standard)	56.9
Average grade of total iron (TFe) (%)	14.5
Average grade of total titanium dioxide (T_iO_2) (%)	6.6

Resources and Reserves Estimate as of 31 December 2013:

Resources and Reserves Category	Luxing Titanium
Resources and reserves of Type 333 or above of ilmenite ores (Mt) (under PRC classification standard)	57.2
Average grade of total iron (TFe) (%)	14.5
Average grade of total titanium dioxide (T_iO_2) (%)	6.6

Gaozhuang Shangyu Ilmenite Project

Gaozhuang Shangyu Ilmenite Project is located in Yishui County and Yinan County of Shandong Province, the PRC. The Company has engaged an independent third party surveying agency to conduct preliminary exploration work in the Gaozhuang Shangyu Ilmenite Project and the work was completed in 2012. It has exploration rights over area of approximately 1.53 km^2, with the exploration term expiring on 28 March 2015. The renewal of exploration license is still in the progress. According to Titanium Mine Detailed Survey Report in respect of the mine, it was estimated that the exploration area had approximately 46.0Mt of resources of Type 332 and 333 of ilmenite ores as at 2 September 2012 under PRC classification standard with an average grading of iron and titanium contents of approximately 12.4% and 6.8%. There is no change in resources and reserves. The Group did not have any plan to carry out mining work or other expansion plan.

EXPLORATION LICENCES IN AUSTRALIA

As at 31 December 2014, Ishine International owns 8 granted exploration Licences located in Western Australia and 3 granted exploration Licences located in South Australia, Australia.

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

There is no other exploration activity in Australia during 2014.

The tenement expenditure was RMB2.0 million (approximately AUD0.4 million) and the capitalised tenement acquisition cost for Mt Watson was RMB3.0 million (approximately AUD0.6 million).

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

Western Australian Tenements

Tenement	Registered holder/ applicant	Grant date	Expiry Date	Area size and locality	Current status	Status of renewal of tenement (if expiring within 1 year)	Target minerals
E80/4478	Ishine International	10-Oct-11	09-Oct-16	39 Blocks Halls Creek Shire, $126km^2$	Active	NA	Nickel, Copper, Cobalt
E70/3880	Ishine International	28-Mar-11	27-Mar-16	70 Blocks Narembeen Shire, $203km^2$	Active	NA	Gold
E80/4450	Ishine International	06-Oct-11	05-Oct-16	41 Blocks Halls Creek Shire, $129km^2$	Active	NA	Nickel, Copper, Cobalt
E77/1786	Ishine International	22-Mar-11	21-Mar-16	70 Blocks Merredin, Narembeen and Yilgarn Shires, $204km^2$	Active	NA	Iron
E37/1073	Ishine International	21-Jul-11	20-Jul-16	33 Blocks Laverton and Leonora Shires, $99km^2$	Active	NA	Nickel, Gold
E39/1582	Ishine International	27-Apr-12	26-Apr-17	6 Blocks Laverton, $18km^2$	Active	NA	Nickel, Gold
E37/1074	Ishine International	14-Sep-11	13-Sep-16	4 Blocks Leonora Shire, $10km^2$	Active	NA	Nickel, Gold
E80/4619	Ishine International	25-Sep-12	24-Sep-17	16 Blocks Moola Bulla and Kimberley, $52km^2$	Active	NA	Nickel, Copper, Gold

South Australia

Tenement	Registered holder/ applicant	Grant date	Expiry Date	Area size and locality	Current status and plan	Status of renewal of tenement (if expiring within 1 year)	Commodity
EL4830 (ELA-234/10)	Ishine International	20-Jan-12	19-Jan-16	$309 km^2$ Mulga Well Area	Active	NA	Gold, Cobalt, Uranium
EL4831 (ELA-239/10)	Ishine International	20-Jan-12	19-Jan-16	$992 km^2$ Mulgaria Area	Active	NA	Uranium
EL4833 (ELA-259/10)	Ishine International	20-Jan-12	19-Jan-16	$969 km^2$ Finniss Springs Area	Active	NA	Uranium

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES AND COSTS

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

	Year ended 31 December	
	2014	2013
	Kt	*Kt*
Production Volume		
Feed tonnage	**2,280**	3,758

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Mining Costs		
Workforce employment	**51,132**	56,291
Transportation	**17,087**	18,811
Fuel, electricity, water and other services	**6,767**	7,892
Non-income taxes, royalties and other governmental charges; and	**14,555**	18,511
Subtotal	**89,541**	101,505
Processing Costs		
Workforce employment	**21,114**	25,939
Consumables	**15,816**	18,375
Fuel, electricity, water and other services	**51,510**	61,962
Administration	**11,279**	13,568
Transportation	**6,199**	7,978
Non-income taxes, royalties and other governmental charges; and	**684**	711
Subtotal	**106,602**	128,533
Total Mining and Processing Cost	**196,143**	230,038
Management Expenses		
Environmental protection and monitoring	**6,402**	4,631
Other administration cost	**46,807**	39,525
Product marketing and transport	**1,820**	2,370
Non-income taxes, royalties and other governmental charges; and	**316**	1,434
Subtotal	**55,345**	47,960
Total Operating Expenses	**251,488**	277,998
Other Costs		
Depreciation and Amortisation	**27,558**	37,981
Total Production Cost	**279,046**	315,979

CONTRACTS AND COMMITMENTS

The Company has signed 42 new contracts with a total amount of RMB28.1 million during 2014. The details are summarised as below:

Yangzhuang Iron Mine

Type of contracts	Number of contracts signed	Total amount *RMB million*
(i) Equipment suppliers	7	1.4
(ii) Technical service	10	0.4
(iii) Ramp extension project	2	21.1
Total	19	22.9

Zhuge Shangyu Ilmenite Mine

Type of contracts	Number of contracts signed	Total amount *RMB million*
(i) Equipment suppliers	6	0.3
(ii) Technical service	8	3.3
Total	14	3.6

Qinjiazhuang Ilmenite Project

Type of contracts	Number of contracts signed	Total amount *RMB million*
(i) Technical service	5	0.9
Total	5	0.9

Luxing Titanium Mine

Type of contracts	Number of contracts signed	Total amount *RMB million*
(i) Equipment suppliers	2	0.4
(ii) Technical service	2	0.3
Total	4	0.7

FINANCIAL REVIEW

For the year ended 31 December 2014, the Group recorded revenue of approximately RMB426.1 million as compared with approximately RMB667.9 million for the year ended 31 December 2013, representing a decrease of approximately 36.2%. For the year ended 31 December 2014, approximately 69.9% of the Group's total sales consisted of the sales of iron concentrates and titanium concentrates produced by the Group's processing plants, while the remaining approximately 29.5% of total sales were mainly derived from trading of coarse iron powder. The Group mainly sold iron concentrates and titanium concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron and titanium concentrates, the Group sold coarse iron powder to other customers engaged in trading and manufacturing of iron-related products in the PRC.

PRICES OF THE GROUP'S PRODUCTS

Iron Concentrates

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

The Group's average unit selling price of iron concentrates for the year ended 31 December 2014 was RMB831.4 per tonne, representing an decrease of approximately 12.8% as compared with the average unit selling price of approximately RMB953.4 per tonne for the year ended 31 December 2013. Such decrease was mainly due to the downturn of China's economy for the year ended 31 December 2014.

Titanium Concentrates

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

For the year ended 31 December 2014, the Group produced approximately 4.1 Kt and approximately 6.7 Kt of titanium concentrates with approximately 20%-30% and 46% titanium content respectively. The average unit selling price of the 46% titanium concentrates was RMB809.8 per tonne. The Group did not sell any titanium concentrates with approximately 20%-30% titanium content during 2014.

Revenue

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

	The year ended 31 December 2014 *RMB'000*		The year ended 31 December 2013 *RMB'000*	
Revenue				
Sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	145,318	34.1%	271,710	40.7%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	1,960	0.5%	3,786	0.6%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	9,204	2.2%	68,492	10.2%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	138,590	32.5%	181,148	27.1%
	295,072	69.3%	525,136	78.6%
Sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	2,612	0.6%	598	0.1%
– from ilmenite ore of Luxing Titanium Mine				
– 20%-30% titanium concentrates	–	–	3,799	0.6%
– 46% titanium concentrates	–	–	2,357	0.3%
	2,612	0.6%	6,754	1.0%
Sales of trading activities				
– from coarse iron powder	125,582	29.5%	136,014	20.4%
Others	2,816	0.6%	–	–
	426,082	100%	667,904	100%

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

	The year ended 31 December 2014 *(Kt)*	The year ended 31 December 2013 *(Kt)*
Sales volume of iron concentrates produced by the Group		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	185.4	285.3
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	2.9	5.9
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	14.4	102.0
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	156.0	189.7
	358.7	582.9
Sales volume of titanium concentrates produced by the Group		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	3.2	0.7
– from ilmenite ore of Luxing Titanium Mine		
– 20%-30% titanium concentrates	–	19.9
– 46% titanium concentrates	–	2.8
	3.2	23.4
Sales volume of trading activities		
– from coarse iron powder	241.0	196.0
	602.9	802.3

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

	The year ended 31 December 2014 (Kt)	(approximately)	The year ended 31 December 2013 (Kt)	(approximately)
Iron concentrates produced by the Group				
Amount of iron concentrates produced from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	226.1	56.6%	327.9	53.8%
Amount of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	4.5	1.1%	6.3	1.0%
Amount of iron concentrates produced from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	16.6	4.1%	91.2	15.0%
Amount of iron concentrates produced from coarse iron powder purchased from other suppliers (65% iron concentrates)	152.4	38.2%	184.3	30.2%
	399.6	100%	609.7	100%
Titanium concentrates produced by the Group				
Amount of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	6.7	62.4%	7.2	17.9%
Amount of titanium concentrates produced from ilmenite ore of Luxing Titanium Mine				
– 20%-30% titanium concentrates	4.1	37.6%	29.3	72.9%
– 46% titanium concentrates	–	–	3.7	9.2%
	4.1	37.6%	33.0	82.1%
	10.8	100%	40.2	100%

Revenue from sales of iron concentrates and titanium concentrates produced by the Group represents approximately 69.3% and 0.6% respectively of the Group's total revenue for the year ended 31 December 2014. The Group also sourced coarse iron powder for on sale to its trading customers.

The Group's revenue decreased by approximately RMB241.8 million, or 36.2%, to approximately RMB426.1 million for the year ended 31 December 2014, as compared with RMB667.9 million for the year ended 31 December 2013. The decrease in revenue was primarily due to (1) the decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine by approximately RMB126.4 million; (2) the decrease in sales of iron concentrates produced from ilmenite ore of Zhuge Shangyu and ilmenite ore of Luxing Titanium Mine by approximately RMB1.8 million and RMB59.3 million respectively for the year ended 31 December 2014; (3) the decrease in sales of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately RMB42.5 million; and (4) the decrease in turnover by approximately RMB10.4 million from trading of coarse iron powder from approximately RMB136.0 million for the year ended 31 December 2013 to RMB125.6 million for the year ended 31 December 2014.

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

Sales derived from the mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder dropped by approximately 23.5% from approximately RMB181.1 million for the year ended 31 December 2013 to approximately RMB138.6 million for the year ended 31 December 2014 mainly as a result of the slowdown of China's economy and the decline in demand from steel makers in Shandong Province and the strategic decision of the management to decrease production volume and sales volume of the iron concentrates produced from mixing iron concentrates produced from coarse iron powder.

The total sales generated from trading activities significantly dropped by approximately 7.7% which was mainly due to the decrease of trading turnover of coarse iron powder from approximately RMB136.0 million for year ended 31 December 2013 to approximately RMB125.6 million for the year ended 31 December 2014. The decrease resulted primarily from decline in demand from the steel makers in Shandong Province and the strategic decision of the management to decrease the sales volume of the trading of iron coarse powder in order to reduce the operational risk from trading activities.

Cost of Sales

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

	The year ended 31 December 2014 RMB'000		The year ended 31 December 2013 RMB'000	
Cost of Sales				
Cost of sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	143,746	33.8%	156,766	29.9%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	2,401	0.6%	3,663	0.7%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	12,040	2.8%	63,738	12.2%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	136,433	32.1%	163,850	31.2%
	294,620	69.3%	388,017	74.0%
Cost of sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	2,869	0.7%	596	0.1%
– from ilmenite ore of Luxing Titanium Mine				
– 20%-30% titanium concentrates	–	–	3,538	0.7%
– 46% titanium concentrates	–	–	2,278	0.4%
	2,869	0.7%	6,412	1.2%
Cost of sales of trading activities				
– from coarse iron powder	125,287	29.4%	129,277	24.7%
Others	2,462	0.6%	539	0.1%
	425,238	100%	524,245	100%

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

Total cost of sales decreased by approximately RMB99.0 million, or approximately 18.9%, to RMB425.2 million for the year ended 31 December 2014, as compared with RMB524.2 million for the year ended 31 December 2013. Such decrease was consistent with the decrease in the Group's revenue during the year ended 31 December 2014, which was mainly due to (1) the decrease in the sales volume of iron concentrates produced from iron ore of Yangzhuang Iron Mine, ilmenite ore of Zhuge Shangyu and ilmenite ore of Luxing Titanium Mine by 190.5 Kt for the year ended 31 December 2014; (2) the decrease in the sales volume of titanium concentrates produced from ilmenite ore of Zhuge Shangyu and ilmenite ore of Luxing Titanium Mine by 20.2 Kt for the year ended 31 December 2014; and (3) the decreases in sales volume of iron concentrates produced from mixing iron concentrates purchased from other supplies and/or produced from coarse iron powder by 33.7 Kt for the year ended 31 December 2014.

Gross profit and gross profit margin

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

	The year ended 31 December 2014 *RMB'000*		The year ended 31 December 2013 *RMB'000*	
Gross profit				
Gross profit of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	1,572	186.3%	114,944	80.0%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	(441)	(52.3)%	123	0.1%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	(2,835)	(335.9)%	4,754	3.3%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	2,155	255.3%	17,298	12.1%
	451	53.4%	137,119	95.5%
Gross profit of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	(256)	(30.3)%	2	0.0%
– from ilmenite ore of Luxing Titanium Mine				
– 20%-30% titanium concentrates	–	–	261	0.2%
– 46% titanium concentrates	–	–	79	0.0%
	(256)	(30.3)%	342	0.2%
Gross profit of trading activities				
– from coarse iron powder	296	35.1%	6,737	4.7%
Others	353	41.8%	(539)	(0.4)%
	844	100%	143,659	100%

	The year ended 31 December 2014 RMB'000	The year ended 31 December 2013 RMB'000
Gross profit margin		
Gross profit margin of iron concentrates		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	1.1%	42.3%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	(22.5)%	3.2%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	(30.8)%	6.9%
– from mixing iron concentrates purchase from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	1.6%	9.5%
Gross profit margin of titanium concentrates		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	(9.8)%	0.3%
– from ilmenite ore of Luxing Titanium Mine		
– 20%-30% titanium concentrates	–	6.9%
– 46% titanium concentrates	–	3.4%
Gross profit margin of trading activities from coarse iron powder	0.2%	5.0%
Overall gross profit margin	0.2%	21.5%

Gross profit decreased by approximately RMB142.9 million, or approximately 99.4% from approximately RMB143.7 million for the year ended 31 December 2013 to approximately RMB0.8 million for the year ended 31 December 2014. The main reasons for the decline were (1) the decrease in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB113.3 million from approximately RMB114.9 million for the year ended 31 December 2013 to approximately RMB1.6 million for the year ended 31 December 2014; (2) the decrease in gross profit of iron concentrates produced from mixing iron concentrates purchased from the other suppliers and/or produced from the coarse iron powder by approximately RMB15.1 million from approximately RMB17.3 million for the year ended 31 December 2013 to approximately RMB2.2 million for the year ended 31 December 2014; and (3) the decrease in gross profit of trading of coarse iron powder by approximately RMB6.4 million from approximately RMB6.7 million for the year ended 31 December 2013 to approximately RMB0.3 million for the year ended 31 December 2014.

Overall gross profit margin decreased from 21.5% to 0.2% for the year ended 31 December 2014 as compared with that for the year ended 31 December 2013. The decrease in overall gross profit margin was primarily due to (1) the decline in average unit selling price of 65% concentrates by 12.8% from approximately RMB953.4 per tonne for the year ended 31 December 2013 to approximately RMB831.4 per tonne for the year ended 31 December 2014. Such decline was mainly due to the downturn of the PRC economy for the year ended 31 December 2014; and (2) due to the decline in production volume of the 65% Iron concentrates by approximately 31.0% from approximately 327.9Kt for the year ended 31 December 2013 to approximately 226.1Kt for the year ended 31 December 2014, the unit cost of sale of the 65% Iron concentrates increased by approximately RMB225.6 per tonne, or approximately 41.1% from approximately RMB549.5 per tonne for the year ended 31 December 2013 to approximately RMB775.1 per tonne for the year ended 31 December 2014.

Selling and distribution costs

Selling and distribution costs decreased by approximately 65.1% from approximately RMB12.5 million for the year ended 31 December 2013 to approximately RMB4.4 million for the year ended 31 December 2014. This was primarily due to the decrease in transportation costs incurred by the Group on behalf of the Group's customers and were added to the contracted sales price.

	The year ended 31 December 2014 *RMB'000*	The year ended 31 December 2013 *RMB'000*
Transportation costs	**4,371**	12,521
Other expenses	**–**	–
	4,371	12,521

Administrative expenses

Administrative expenses mainly constitute employee benefits, depreciation and amortisation, professional fees, travelling expenses, entertainment expenses and other expenses. The following table presents the breakdown of the Group's administrative expenses for the years indicated:

	The year ended 31 December 2014 *RMB'000*	The year ended 31 December 2013 *RMB'000*
Employee benefits	**11,156**	14,001
Other tax and surcharges	**316**	1,434
Depreciation and amortisation	**9,522**	9,001
Professional fees	**6,032**	4,801
Travelling expenses	**1,536**	2,002
Entertainment expenses	**1,754**	2,161
Vehicle fees	**1,820**	2,370
Office fees	**1,292**	849
Impairment losses	**17,842**	744
Other expenses	**4,076**	10,597
Total	**55,346**	47,960

Administrative expenses increased by approximately RMB7.3 million from approximately RMB48.0 million for the year ended 31 December 2013 to approximately RMB55.3 million for the year ended 31 December 2014. Such increase was mainly due to the increase in the impairment loss by approximately RMB17.1 million from approximately RMB0.7 million for the year ended 31 December 2013 to approximately RMB17.8 million for the year ended 31 December 2014, which consisted of (1) impairment provision of approximately RMB6.7 million and RMB4.8 million for mining rights and Property, Plants and Equipment in Luxing Titanium respectively; (2) the impairment loss of approximately RMB3.4 million (equivalent to approximately AUD613,053) for the Mt. Watsons project resulting from the decision of the board of Shine International to stop pursuing further interest in Mt. Watsons project; and (3) the impairment loss of approximately RMB0.9 million (equivalent to approximately AUD166,000) of the listed shares held in Athena Resources Limited due to the fair value loss recognised on the basis that it was considered as a permanent diminution in value. Those losses were offset by implementing the cost cutting measures (a) to reduce employee benefit by approximately RMB2.8 million; and (b) to reduce other expenses by approximately RMB6.5 million.

Other (losses)/gains, net

The Group made other loss of approximately RMB15.8 million for the year ended 31 December 2014 as compared with a gain of approximately RMB79.5 million for the year ended 31 December 2013, which was mainly due to (1) the one-off gain on bargain purchase (a negative goodwill of RMB60.3 million) as a result of the Acquisition, which was completed in the first quarter of 2013. The one-off gain on bargain purchase (negative goodwill) was mainly derived from the difference between the fair value of 95% of Luxing Titanium's identifiable net assets and consideration paid by the Group for the Acquisition; (2) the PRC government grant of RMB19.4 million upon the recognition of the achievement in the areas of social responsibilities and integrated utilisation of resources during the year ended 31 December 2013, as compared to RMB1.0 million during the year ended 31 December 2014; and (3) the loss from issuance of non-listed warrants of approximately RMB17.0 million. On 17 July 2014, 144,000,000 non-listed warrants were issued at par value of HK$0.01 each and the exercise price was HK$1.69.

Finance costs, net

Net finance costs mainly represented interest expense on bank loans, and on discount of bank's acceptance notes of the Group, offset by interest income of bank deposits. Finance costs decreased from approximately RMB29.9 million for the year ended 31 December 2013 to approximately RMB21.8 million for the year ended 31 December 2014 by approximately 27.1%, which was mainly due to (1) the decrease in interest expense on bank loans balance by approximately RMB2.7 million from approximately RMB24.6 million as at 31 December 2013 to approximately RMB21.9 million as at 31 December 2014; and (2) the decrease in interest expense on discount of bank acceptance notes by approximately RMB3.2 million.

Total comprehensive (loss)/income

Total comprehensive income decreased from approximately RMB106.9 million for the year ended 31 December 2013 to a total comprehensive loss of approximately RMB81.6 million for the year ended 31 December 2014 by 176.4%, which was mainly due to the (1) the one-off gain on bargain purchase (a negative goodwill of RMB60.3 million) as a result of the acquisition of Luxing Titanium, which was completed in the first quarter of 2013. The one-off gain on bargain purchase (negative goodwill) was mainly derived from the difference between the fair value of 95% of Luxing Titanium's identifiable net assets and consideration paid by the Group for the Acquisition; (2) the gross profit decreased by approximately RMB142.9 million, or approximately 99.4% from approximately RMB143.7 million for the year ended 31 December 2013 to approximately RMB0.8 million for the year ended 31 December 2014. The main reasons for the decline were (i) the decrease in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB113.3 million from approximately RMB114.9 million for the year ended 31 December 2013 to approximately RMB1.6 million for the year ended 31 December 2014; (ii) the decrease in gross profit of iron concentrates produced from mixing iron concentrates purchased from the other suppliers and/or produced from the coarse iron powder by approximately RMB15.1 million from approximately RMB17.3 million for the year ended 31 December 2013 to approximately RMB2.2 million for the year ended 31 December 2014; and (iii) the decrease in gross profit of trading of coarse iron powder by approximately RMB6.4 million from approximately RMB6.7 million for the year ended 31 December 2013 to approximately RMB0.3 million for the year ended 31 December 2014; (3) the loss from issuance of non-listed warrants of approximately RMB17.0 million. On 17 July 2014, 144,000,000 non-listed warrants were issued at par value of HK$0.01 each and the exercise price was HK$1.69; and (4) increase in the impairment loss of assets by approximately RMB17.1 million from approximately RMB0.7 million for the year ended 31 December 2013 to approximately RMB17.8 million for the year ended 31 December 2014.

Inventories

The Group's inventories consisted of raw materials, finished goods and spare parts and others. Raw materials included iron ores and other raw materials which mainly consisted of coarse iron powder to be processed into iron concentrates. The following table sets forth the Group's balances of inventory as of each of the statement of financial position dates:

	As at 31 December 2014	As at 31 December 2013
	RMB'000	*RMB'000*
Raw materials		
– Iron ores and ilmenite ore	**4,112**	1,406
– Other raw materials	**12,358**	1,431
Finished goods	**54,972**	26,161
Spare parts and others	**9,369**	6,606
Provision for inventory	**(2,026)**	–
Total	**78,785**	35,604

The balance of inventories increased by approximately RMB43.2 million mainly due to the increase in finished goods of approximately RMB28.8 million. The management strategically increased the inventory during the steel market downturn. The raw materials will then be processed into iron concentrates and will be sold to the downstream iron and steel manufacturers when the market recovers.

Trade receivables

The Group's sales are generally made on credit terms of 90 days, and trade receivables were settled by either bank transfer or bank acceptance notes with maturity within 6 months. Aging analysis of trade receivables as at 31 December 2014 and 2013 was as follows:

	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Trade receivables		
– Less than 3 months	89,812	164,614
– 3 months to 6 months	12,470	24,249
– 6 months to 1 year	98,844	1,554
– 1 year and above	2	30
Total	201,128	190,447

Trade receivables increased from approximately RMB190.4 million as at 31 December 2013 to approximately RMB201.1 million as at 31 December 2014.

As the downstream iron and steel manufacturers took longer time to settle amount due to the Group as a result of the sluggish iron and steel market.

Notes receivables

Notes receivables are bank acceptance notes from various banks mainly provided by the Group's customers as settlement of account receivables.

	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Notes receivables		
– Bank acceptance notes	31,750	206,188

Notes receivables decreased from approximately RMB206.2 million as at 31 December 2013 to approximately RMB31.8 million as at 31 December 2014 mainly due to the decrease in revenue from selling of iron concentrates and trading of coarse iron powder for the year ended 31 December 2014 and the beginning balance of the note receivables were collected on the maturity date.

Trade payables

	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Trade payables	40,361	73,749

Trade payables decreased from approximately RMB73.7 million as at 31 December 2013 to approximately RMB40.4 million as at 31 December 2014.

Bank borrowings

The following table sets forth the breakdown of bank borrowings as of each of the statement of financial position dates:

	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Non-current		
– Bonds	50,764	–
Current		
– Bank borrowings	171,280	110,000
– Short-term portion of non-current borrowings	–	100,000
	171,280	210,000
Total	222,044	210,000

Total bank borrowings as at 31 December 2014 increased to approximately RMB222.0 million from approximately RMB210.0 million as at 31 December 2013.

As at 31 December 2014, bank borrowings of RMB1.28 million were pledged by the Group's notes receivables with carrying amount of RMB2.0 million and guaranteed by the controlling shareholder of the Company, an executive Director and chairman of the Company, Mr. Li Yunde.

As at 31 December 2014, bank borrowings of RMB90.0 million were pledged by the Group's trade receivables with carrying amount of RMB95.6 million and guaranteed by Yishui Hesheng Minerals Processing Co., Ltd., Ms. Zhang Limei and Mr. Li Yunde.

Borrowings of RMB20.0 million were jointly guaranteed by Linyi Runxing Investment Co., Ltd. and Mr. Li Yunde; borrowings of RMB30.0 million were jointly guaranteed by Yishui Hesheng Minerals Processing Co., Ltd. and Mr. Li Yunde; and also, borrowings of RMB30.0 million were guaranteed by Yishui Hesheng Minerals Processing Co., Ltd..

Ishine International

Ishine International, the Company's non-wholly owned subsidiary, is principally engaged in the business of the exploration of mineral resources in Australia, and its shares are listed on the ASX. The principal activity in 2014 was exploration activities. Net loss incurred by Ishine International for the year ended 31 December 2014 was approximately RMB7.6 million as compared to net loss of approximately RMB7.5 million for the year ended 31 December 2013.

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2014 is HK$7,815,715.84 divided into 3,907,857,920 shares with par value of HK$0.002 each.

The shareholders of the Company approved at the extraordinary general meeting of the Company held on 27 October 2014 the sub-division of every issued and unissued share of HK$0.01 each in the share capital of the Company into 5 shares of HK$0.002 each (the "Share Subdivision"). The Share Subdivision became effective on 28 October 2014.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings divided by the aggregate amount of total equity and total borrowings) as at 31 December 2014 was approximately 23.6% (as at 31 December 2013: approximately 23.0%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2014 was approximately 2.2 times (as at 31 December 2013: approximately 1.6 times).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the total amount of the borrowings of the Group was approximately RMB222.0 million (as at 31 December 2013: approximately RMB210.0 million). The Group settled borrowings in the amount of approximately RMB584.1 million for the year ended 31 December 2014. The Group's cash and bank balances amounted to approximately RMB142.0 million (as at 31 December 2013: approximately RMB64.1 million).

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisition, disposal or investment by the Group during the year ended 31 December 2014.

PLACING OF UNLISTED WARRANTS UNDER GENERAL MANDATE

On 24 June 2014, the Company entered into a placing agreement with Guangdong Securities Limited (as placing agent) for the placing of up to 144,000,000 warrants of the Company at the placing price of HK$0.01 per warrant. The initial subscription price of the warrant is HK$1.69 per warrant share (subject to adjustment). The aggregate of initial subscription price and the placing price of the warrant was HK$1.7. The closing price of the shares of the Company was HK$1.35 per share as quoted on the Stock Exchange on the date of the placing agreement. The placing was completed on 17 July 2014 and an aggregate of 144,000,000 units of unlisted warrants were issued to more than six investors. The warrants confers its holders the right to subscribe for shares during a period of 12 months commencing from 17 July 2014. The warrant shares to be issued pursuant thereto shall be issued and allotted under the general mandate to issue shares granted to the Directors at the annual general meeting of the Company held on 30 May 2014. The Company raised a proceed of HK$1 million from the issue of the warrants and had been utilised as general working capital of the Group. The placing of warrants would enhance the capital and shareholders' base of the Company.

Upon the share subdivision of every 1 share of HK$0.01 each into 5 shares of HK$0.002 each became effective on 28 October 2014, the number of warrants have been adjusted and the subscription price has been adjusted to HK$0.338 per warrant share pursuant to the terms of the warrants and had been reviewed and confirmed by the auditor of the Company.

As at 31 December 2014, an aggregate of 303,500,000 shares of HK$0.002 each have been issued upon exercise of the subscription rights attaching to the warrants, and 416,500,000 units of warrants remain outstanding. A further net proceeds of approximately HK$102 million (i.e. approximately HK$0.336 per share) was raised. The aggregate nominal value of the warrant shares issued is HK$607,000. The Company has utilised the net proceeds as general working capital of the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGING

Shandong Ishine, Luxing Titanium and Ishine International, which operate in the PRC and Australia respectively, are three major subsidiaries composing the Group. Almost all of the transactions of Shandong Ishine, Luxing Titanium and Ishine International are denominated and settled in their respective functional currencies, i.e. RMB and AUD respectively.

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

PLEDGE OF GROUP ASSETS

As at 31 December 2014, bank borrowings of RMB1.28 million were pledged by the Group's notes receivables with carrying amount of RMB2.0 million and guaranteed by the controlling shareholder of the Company, an executive Director and chairman of the Company, Mr. Li Yunde.

As at 31 December 2014, bank borrowings of RMB90.0 million were pledged by the Group's trade receivables with carrying amount of RMB95.6 million and guaranteed by Yishui Hesheng Minerals Processing Co., Ltd., Ms. Zhang Limei and Mr. Li Yunde.

EXPLORATION COMMITMENTS AND CAPITAL COMMITMENTS

Ishine International has obligations under its exploration licence to spend a minimum amount of exploration expenditures on projects. The obligations may vary from time to time subject to the approval from the relevant government authorities. Due to the nature of Ishine International's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditures may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or any new joint venture agreements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. The total tenement commitment for Ishine International as at 31 December 2014 was approximately RMB8.8 million (equivalent to approximately AUD1,753,000.0) compared to approximately RMB14.4 million as at 31 December 2013 (equivalent to approximately AUD2,653,000.0).

As at 31 December 2014, Shandong Ishine has capital commitments of approximately RMB5.9 million (as at 31 December 2013: RMB8.6 million) for properties, plant and equipment. These commitments have been made during the year ended 31 December 2014 but have not been paid.

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 31 December 2014, the Group had a total of 427 employees (as at 31 December 2013: 649 employees). The employees of the Group were remunerated based on their experiences, qualifications, the Group's performance and the market conditions. During the year ended 31 December 2014, staff costs (including Directors' remunerations) amounted to approximately RMB24.1 million (2013: approximately RMB34.8 million).

CONTINGENT LIABILITIES

As at 31 December 2014, the Group has no material contingent liabilities.

USE OF IPO PROCEEDS

Purpose	Amount allocated as provided in the Prospectus *RMB million (approximately)*	Amount utilised up to the date of the Announcement (Note) *RMB million (approximately)*	Unutilised amount as at the date of the Announcement *RMB million (approximately)*	Amount to be reallocated to new purposes *RMB million (approximately)*	Amount utilised up to 31 December 2013 *RMB million (approximately)*
Purposes disclosed in the Prospectus					
Financing the expansion of mining capacity of Yangzhuang Iron Mine	62.4	36.6	25.8	–	36.6
Financing the first stage of development plan of Zhuge Shangyu Ilmenite Mine	42.7	4.1	38.6	12.6	16.7
New Purposes					
Commencement of operation of Zhuge Shangyu Ilmenite Mine	–	–	–	22.0	22.0
Commencement of the Qinjiazhuang Ilmenite Project	–	–	–	16.0	16.0
Technology improvement plan to increase annual processing capacity of Luxing Titanium Ilmenite Mine	–	–	–	3.8	3.8
General working capital	–	–	–	10.0	10.0
Total	105.1	40.7	64.4	64.4	105.1

Note: The Company made an announcement on 7 February 2013 (the "Announcement") in relation to, among others, change in use of IPO proceeds. However, the Company also made a clarification announcement on 3 April 2013 to clarify the amount utilised for the proposed use of the IPO proceeds as provided in the Prospectus up to the date of the Announcement, the unutilised amount as at the date of the Announcement and the amount to be allocated. For details, please refer to the announcement of the Company dated 3 April 2013.

2015 DEVELOPMENT AND FUTURE PLANS

Under a new economic environment, the Group determines its industrial layout and resolves that it should seize the newly emerged opportunities in the industry. Having analysed all upstream and downstream ilmenite industry chain activities, the Group adopts more accurate industrial positioning and development strategies, thus laying solid foundation for future development. Having conducted market research and analysing all the data comprehensively, the management formulates the following development plans:

I. Production and operation

The Group still relies on iron concentrate as the basis and titanium concentrate as the key direction since the beginning of the new year. It analyses its operating risks in depth and carefully judges the timing for trading. It will timely implement its production plan and seizes the possible trading opportunities, thus maximizing the benefit of the Group.

1. Yangzhuang Iron Mine

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

The Group plans to mine and process approximately 1.4 Mt of iron ores and to produce approximately 0.20 Mt of 65% iron concentrates in 2015 due to market factors. If there is a market downturn in 2015, the Group will further strengthen its mining projects, maintain its own mines and protect resources by appropriately controlling the production and processing, in order to be well-prepared for the production in a boom market. The Group will determine if it will process with part of coarse powders purchased from other suppliers based on profitability to capitalise the production equipment. Meanwhile, the Group shall continue in comprehensive utilisation of tailings resources and improve the overall benefits of maintaining a good environment in Yangzhuang Iron Mine.

2. Zhuge Shangyu Ilmenite Mine

Zhuge Shangyu Ilmenite Mine currently possesses a mining permit with an approved annual mining production scale of 400,000 cubic metres (or approximately 1.2 Mt).

The Group has rented an iron ore processing plant and installed a new titanium processing line in it in 2013. It is currently in production and operation. The Group will use the production line as the platform to strengthen the cooperation with national scientific and research institutions in order to improve titanium processing techniques and control production costs and enhance the value of ilmenite ore.

If the market recovers, the Group will increase its investment in the 2.0 Mt processing line and production line in Zhuge Shangyu Ilmenite Mine in 2013. If it is less profitable or not profitable at all, the Group will reduce its investments. The Group will decide to mine and process its own mines based on the market conditions.

3. Qinjiazhuang Ilmenite

In 2015, the Group will determine whether its will make investment in or conduct production activities at Qinjiazhuang Ilmenite based on market changes.

4. **Luxing Titanium**

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

The Group has set its basic business objectives as protecting resources against resource sell-off and for the interest of shareholders based on the market conditions in 2015. The Group will decide to mine and process its own mines based on profitability.

II. Business relating to capital markets and others

1. Capitalising on the platform of re-financing, the Company placed its new shares at due time, thus continuously broadening its shareholder base and enhancing the liquidity of its shares. Potential merger and acquisition projects, if any, or extension of the Titanium industry chain may be financed.

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

III. Technological innovation and other business

1. In 2015, Shandong Ishine Mining Academician Workstation has been approved for establishment as the basis of closer industry-university-research cooperation for joint research on new techniques relating to hydrometallurgy processing of ilmenite and associated elements with furnace method.

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

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

IV. Fuel oil business

In 2015, the Group will explore new business opportunities. The Group plans to engage in import and sales of fuel oil based on the market conditions to grow new profit for the Group.

The plans and measures for 2015 are set out above. Since the beginning of the new year, the Group will timely adjust its working plan in due course based on market changes. The Group will make every effort to expand its talent reserve and nurture talents, and try its best to implement and review its plan with a view to sustain long term corporate development, thus ensuring the maximisation of the long-term and sustainable interest of investors with all its efforts.

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

CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Directors, save for the following deviation, the Company was in compliance with all the relevant code provisions set out in the CG Code throughout the year ended 31 December 2014.

Code provision A.6.7 of the CG Code requires that the independent non-executive directors of the Company should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Lin Chu Chang, being an independent non-executive Director, did not attend the extraordinary general meeting of the Company held on 27 October 2014 due to his other business engagement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

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

The Board currently consists of six Directors including three executive Directors and three independent non-executive Directors:

Executive Directors

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

Independent non-executive Directors

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

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 58 to 61 under the section headed "Biographical Details of Directors and Senior Management".

Board Meetings

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

During the year ended 31 December 2014, the Board held 7 meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were also given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	Number of attendance
Mr. Li Yunde	6/7
Mr. Geng Guohua	7/7
Mr. Lang Weiguo	6/7
Mr. Li Xiaoyang	7/7
Mr. Lin Chu Chang	7/7
Mr. Zhang Jingsheng	7/7

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

General Meetings

During the year ended 31 December 2014, one annual general meeting of the Company was held on 30 May 2014 and one extraordinary general meeting of the Company was held on 27 October 2014.

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

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

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. Mr. Li, the Chairman of the Company and the chairman of the nomination committee of the Company ("the Nomination Committee") and Mr. Lin Chu Chang, the chairman of the audit committee of the Company (the "Audit Committee") and the remuneration committee of the Company (the "Remuneration Committee") attended the 2014 AGM to answer questions and collect views of shareholders.

Directors' Training

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

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in training relating to the Listing Rules and corporate governance matters or attending seminars relating to their role as a director of listed issuer. Each of the Directors has provided a record of training they received for the year ended 31 December 2014 to the Company.

CHAIRMAN AND CHIEF EXECUTIVE

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

All independent non-executive Directors have been appointed for a term of two years commencing from 27 April 2012 (the "Listing Date"). Upon the expiration of the said term of appointment on 27 April 2014, each of the independent non-executive Director has entered into a service contract with the Company for a further term of two years commencing from 27 April 2014.

NOMINATION COMMITTEE

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

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

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

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

During the year ended 31 December 2014, the Nomination Committee held a meeting. The Nomination Committee reviewed the Board composition, assessed the independence of the independent non-executive Directors and made recommendation on the re-election of Directors.

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

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

REMUNERATION COMMITTEE

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

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

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

During the year ended 31 December 2014, the Remuneration Committee held a meeting. The Remuneration Committee reviewed the remuneration of Directors and the senior management.

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

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

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

The emolument payable to the Directors and senior management will depend on their respective contractual terms under employment contracts, if any, and will be fixed by the Board after taking into account the recommendation from the Remuneration Committee, the performance of the Group and the prevailing marketing conditions. Details of the remuneration of the Directors and senior management for the year ended 31 December 2014 are set out in note 32 to the consolidated financial statements.

AUDIT COMMITTEE

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

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

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

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

During the year ended 31 December 2014, the Audit Committee held two meetings.

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

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

During the year ended 31 December 2014, the Audit Committee reviewed, among others, the 2013 annual results and the 2014 interim results of the Group. The Audit Committee was in the opinion that the preparation of such consolidated financial statements complied with the applicable accounting standards and the Listing Rules.

The Audit Committee noted the existing internal control system of the Group and also noted that review of the same shall be carried out annually.

CORPORATE GOVERNANCE FUNCTIONS

The Company's corporate governance functions are carried out by the Board pursuant to the written terms of reference adopted by the Board in compliance with the CG Code.

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

During the year ended 31 December 2014, the Board has reviewed the Company's policies and practices on corporate governance, the training and continuous professional development of the Directors and senior management as well as the Company's compliance with the CG Code.

AUDITORS' REMUNERATION

For the year ended 31 December 2014, the remuneration paid/payable to the Company's auditor, PricewaterhouseCoopers, is as follows:

	RMB'000
Services rendered	
Audit services	3,041
Non-audit services	–
	3,041

COMPANY SECRETARY

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

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

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

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the year ended 31 December 2014.

SHAREHOLDERS' RIGHTS

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

Shareholders to convene an extraordinary general meeting

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

Putting enquiries by shareholders to the Board

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

Procedures for putting forward proposals by shareholders at shareholders' meetings

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

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

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

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2015 AGM will be voted by poll.

INVESTOR RELATIONS

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

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

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

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

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

Constitutional Documents

There had been no changes in the constitutional documents of the Company during the year ended 31 December 2014.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2014, the Board has selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

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

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

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

INTERNAL CONTROL

Management had implemented a system of internal control to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purpose and investment and business risks affecting the Group are identified and managed.

During the year ended 31 December 2014, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

SENIOR MANAGEMENT'S REMUNERATION

Senior management's remuneration payment of the Group in the year ended 31 December 2014 falls within the following bands:

	Number of Individuals
HKD500,000 or below	–
HKD500,001 to HKD1,000,000	4
HKD1,000,001 to HKD1,500,000	–

Report of the Directors

The Directors of the Company are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 64 to 126.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the Shareholders to attend and vote at the annual general meeting of the Company to be held on Wednesday, 27 May 2015 ("2015 AGM"), the register of members of the Company will be closed from Tuesday, 26 May 2015 to Wednesday, 27 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2015 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 May 2015.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2014 are set out in note 16 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB59,047,000 (2013: RMB86,812,000).

DIRECTORS

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

Executive Directors

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

Independent non-executive Directors

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

In accordance with Article 108 of the Articles, Mr. Geng Guohua and Mr. Li Xiaoyang shall retire from office at the 2015 AGM by rotation and, being eligible, offer themselves for re-election.

INDEPENDENCE CONFIRMATION

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

SHARE OPTION SCHEME

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

The principal terms of the Scheme are summarised as follows:

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

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

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

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

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

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

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

SHARE OPTION OF ISHINE INTERNATIONAL RESOURCES LIMITED ("ISHINE INTERNATIONAL")

As at 31 December 2014, Ishine International, a wholly-owned subsidiary of the Company, has a total of 6,075,000 options to acquire shares on issue. If these options are exercised by their holders, Ishine International will be obliged to issue up to 6,075,000 new shares.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2014 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service agreement with the Company on 9 April 2012 for an initial fixed term of three years commencing from the Listing Date unless terminated by not less than three months' notice in writing served by either party on the other or in accordance with the provisions set out in the respective service agreement. Each of the executive Directors may receive a discretionary bonus, the amount of which will be determined by the Board with reference to the recommendations of the Remuneration Committee.

Each of the independent non-executive Directors entered into a service agreement with the Company on 9 April 2012 for an initial fixed term of two years commencing from the Listing Date which expired on 27 April 2014. Upon the expiration of the said term on 27 April 2014, each of the independent non-executive Director entered into a new service agreement with the Company for a further term of two years commencing from 27 April 2014.

None of the Directors proposed for re-election at the 2015 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as those disclosed in the section headed "Connected Transactions", none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2014, nor any contract of significance has been entered into during the year ended 31 December 2014 between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2014.

COMPETING INTERESTS

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

The Board has established a review committee (the "Committee") comprising all the independent non-executive Directors which was delegated with the authority to review on an annual basis of the non-competition undertaking given by Mr. Li Yunde ("Mr. Li") and Hongfa Holdings Limited (collectively, the "Covenantors") in the deeds of non-competition (the "Deeds of Non-competition") entered into by, among others, the Covenantors dated 9 April 2012. An extract of the material terms of the Deeds of Non-competition had been set out in the Prospectus. The Covenantors confirmed that (a) they have provided all information necessary for the enforcement of the Deeds of Non-competition as requested by the Committee from time to time; and (b) from the effective date of the Deeds of Non-competition, i.e. 9 April 2012 and up to 31 December 2014, they had complied with the Deeds of Non-competition. The Committee also confirmed that they were not aware of any non-compliance with the Deeds of Non-competition by the Covenantors during the same period.

RETIREMENT SCHEMES

The Group participates in a state-managed retirement scheme operated by the PRC government which covers the Group's eligible employees in the PRC and a Mandatory Provident Fund Scheme for the employee in Hong Kong. Particulars of these retirement plans are set out in note 2.17 to the consolidated financial statements in this annual report.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2014, the interest or short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or pursuant to the Model Code, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, are set out below:

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

Name of Director	Capacity/ Nature of Interest	Long Position/ Short Position	Number of Ordinary Shares held	Approximate percentage of interest
Mr. Li	Interest of controlled corporation	Long position	2,035,642,660 *(Note 1)*	52.09%
Mr. Lang Weiguo	Interest of controlled corporation	Long position	665,850,000 *(Note 2)*	17.04%

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

Name of Director	Name of associated corporation	Capacity/ Nature of Interest	Number of Ordinary Shares held	Approximate percentage of interest
Mr. Li	Hongfa Holdings Limited	Beneficial owner	1 *(Note 1)*	100%
Mr. Li	Ishine International Resources Limited	Beneficial owner	10,000,000	11.45%
Mr. Li	Linyi Luxing Titanium Co., Ltd	Interest of controlled corporation	1,100,000 *(Note 3)*	5.00%

Notes:

1 Mr. Li beneficially holds the entire issued share capital of Hongfa Holdings Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability, which in turn, beneficially holds 2,035,642,660 shares of the Company. For the purposes of the SFO, Mr. Li is deemed or taken to be interested in all the shares held by Hongfa Holdings Limited. Mr. Li is the sole director of Hongfa Holdings Limited.

2 Mr. Lang Weiguo ("Mr. Lang") beneficially holds the entire issued share capital of Novi Holdings Limited and All Five Capital Ltd, both companies are incorporated in the BVI with limited liability, which in turn, beneficially holds 532,650,000 shares and 133,200,000 shares of the Company respectively. For the purpose of the SFO, Mr. Lang is deemed or taken to be interested in all the shares held by Novi Holdings Limited and All Five Capital Ltd.

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

Save as disclosed above, as at 31 December 2014, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 31 December 2014, so far as is known to any Director, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholder	Nature of Interest	Long Position/ Short Position	Number of Ordinary Shares held	Approximate percentage of interest
Hongfa Holdings Limited	Beneficial owner	Long position	2,035,642,660	52.09%
Ms. Zhang	Family Interest	Long position	2,035,642,660	52.09%
Novi Holdings Limited	Beneficial owner	Long position	532,650,000	13.63%
Jiuding Callisto Limited	Beneficial owner	Long position	295,445,260	7.56%

Notes:

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

(2) Jiuding China Growth Fund, L.P. beneficially holds the entire issued share capital of Jiuding Callisto Limited ("Jiuding Callisto") which in turn, beneficially holds 295,445,260 shares of the Company. For the purpose of SFO, Jiuding China Growth Fund, L.P. is deemed or taken to be interested in all the shares held by Jiuding Callisto. Jiuding China GP Limited is the general partner of Jiuding China Growth Fund, L. P. For the purpose of SFO, Jiuding China GP Limited is deemed or taken to be interested in all the shares in which Jiuding China Growth Fund, L. P. is interested.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2014.

CONNECTED TRANSACTIONS

Trademark License Agreement

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

Provision of Financial Assistance

(1) On 12 July 2013, Luxing Titanium obtained a loan of RMB20.0 million from Rural Commercial Bank of Shandong Yishui Company Limited, which was guaranteed by Shandong Ishine, Linyi Runxing Investment Company Limited and Mr. Li, and the loan was repaid on 11 July 2014; (2) on 10 March 2014, Shandong Ishine obtained a loan of RMB90.0 million from China Construction Bank Corporation, Yishui Branch, which was guaranteed by Yishui Hesheng Minerals Processing Co., Ltd., Ms. Zhang Limei and Mr. Li, and was to be due for repayment on 9 March 2015; (3) on 31 July 2014, Shandong Ishine obtained a loan of RMB1.28 million from Rural Commercial Bank of Shandong Yishui, Yangzhuang Branch, which was guaranteed by Mr. Li, and was to be due for repayment on 20 January 2015; (4) on 4 September 2014, Shandong Ishine obtained a loan of RMB30.0 million from China Construction Bank Corporation, Yishui Branch, which was guaranteed by Yishui Hesheng Minerals Processing Co., Ltd. and Mr. Li, and was to be due for repayment on 3 September 2015; (5) on 22 July 2014, Luxing Titanium obtained a loan of RMB20.0 million from Rural Commercial Bank of Shandong Yishui, Yangzhuang Branch, which was guaranteed by Shandong Ishine, Linyi Runxing Investment Co., Ltd. and Mr. Li, and was to be due for repayment on 20 July 2015. The provision of guarantee by Mr. Li constitutes financial assistance to the Company which was for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance. The above financial assistance constitutes connected transactions, which are exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

Key Management Compensation

The material related party transactions in relation to the key management compensation remuneration, which is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.95 of the Listing Rules as disclosed in Note 32 to the consolidated financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, approximately 63% of the Group's turnover and approximately 96% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively. Approximately 18% of the Group's turnover and approximately 37% of the Group's purchases were attributable to the Group's largest customer and the Group's largest supplier, respectively. To the best knowledge of the Directors, none of the Directors or chief executive of the Company or any shareholder owning more than 5% of the Company's share capital or their respective associates, had any interest in the Group's five largest customers or five largest suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2014.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2012 with written terms of reference in compliance with the CG Code, which currently comprises three independent non-executive Directors, namely Mr. Lin Chu Chang (as chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The Audit Committee is mainly responsible for the relationship with the Company's auditor, review of the Company's financial information and monitoring of the Company's financial reporting system and internal control procedures. The Audit Committee has reviewed this annual report and the audited annual financial statements for the year ended 31 December 2014 before such documents were tabled for the Board's review and approval, and is of the opinion that such documents complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 41 to 49 of this annual report.

AUDITORS

PricewaterhouseCoopers has acted as auditor of the Company for the year ended 31 December 2014. The Company has not changed its external auditor during the past three years. A resolution will be submitted to the 2015 AGM to re-appoint PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board
China Zhongsheng Resources Holdings Limited

Li Yunde
Chairman

Hong Kong, 27 March 2015

EXECUTIVE DIRECTORS

Mr. Li Yunde ("Mr. Li")

Mr. Li Yunde ("Mr. Li") Mr. Li, aged 48, was appointed as a Director on 8 February 2011 and redesignated as an executive Director of the Company on 9 April 2012. Mr. Li is also the Chairman of the Board, and a director of all of the subsidiaries of the Group, except Fortuneshine Investment Ltd. and Shine Mining Investment Limited. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. He is primarily responsible for the Group's overall strategic planning and business development. Mr. Li has over 20 years of experience in iron ore exploration, mining and processing in Shandong Province, the PRC. Mr. Li graduated from Shandong University (山東大學) in July 2002, majoring in Marketing (市場行銷). He has also completed the China Private Enterprise Entrepreneur Training (中國民營企業總裁研修) held by Tsinghua University (清華大學) in March 2005. He has been the Chairman of the Board of the Association of Industry and Commerce of Linyi City, Yishui County, Shandong Province (沂水縣工商業聯合會). Mr. Li was awarded the "Outstanding Member of the National People's Congress of Linyi City (臨沂市優秀人大代表)" in February 2007 by the Standing Committee of the National People's Congress of Linyi City and the "Model Worker of Shandong Province (山東省勞動模範)" in April 2008 by the People's Government of Shandong Province. Since November 2012, Mr. Li has been the Vice-President of China Mining Association (中國礦業聯合會) Australian Branch, and was elected as the Representative of the National People's Congress of Shandong Province in January 2013. He has been the Standing Director of China Federation of Industry & Commerce (全國工商業聯合會) Metallurgy Branch.

Mr. Geng Guohua ("Mr. Geng")

Mr. Geng, aged 45, was appointed as the Chief Executive Officer of the Company on 14 May 2013, and an executive Director of the Company on 9 April 2012. He was the Chief Operating Officer of the Company from 9 April 2012 to 2 May 2014. Mr. Geng was the chief operating officer of Shandong Ishine Mining Industry Co., Ltd. (山東興盛礦業有限責任公司) ("Shandong Ishine") from 2007 to 2 May 2014, an indirect wholly-owned subsidiary of the Company, and has been a director of Shandong Ishine since November 2010 during which he has acquired relevant experience in the operation of iron and ilmenite mines and participated in trainings relating to mining, production, management and geology organised by Tsinghua University and University of Toronto. He is primarily responsible for the Group's overall operation. Mr. Geng began his career in 1989 and worked at different managerial levels in Shandong Liaherd Chemical Industry Co., Ltd. (山東聯合化工股有限公司). From 1999 to 2003, he worked as a management person of Shandong Fuyuan Leather Group Ltd. (山東富源皮革集團有限公司) and was responsible for its technical services, production and sales management. He had been the deputy general manager in charge of production of Beijing Huiyuan Juice Group Limited (北京匯源果汁集團有限公司) (currently known as China Huiyuan Juice Group Limited (中國匯源果汁集團有限公司), a company listed on the Stock Exchange (stock code: 1886)) from 2003 to 2007 and was responsible for its general management. Mr. Geng graduated at Correspondence Institute of the Party School of Central Committee of Communist Party of China (中共中央黨校函授學院) majoring in Law in December 2001. Mr. Geng was accredited as a Human Resources Developments and Project Technician (Enterprise Human Resource Management) (人力資源開發管理工程技術人員(企業人力資源管理人員)) in October 2003 by the Occupational Skill Testing Authority (職業技能鑒定(指導)中心) of Shandong Province, the PRC.

Mr. Lang Weiguo ("Mr. Lang")

Mr. Lang, aged 56, was appointed as an executive Director on 9 April 2012. He joined the Group in 2010 and has been the vice chairman of the board of directors of Shandong Ishine since November 2010. He is primarily responsible for the Group's business development and investment. Mr. Lang is also a director of Fortuneshine Investment Ltd. and Shine Mining Investment Limited, both of which are the subsidiaries of the Group. He received a bachelor degree in Engineering from Agriculture University of Heilongjiang (黑龍江八一農墾大學) in July 1982 and further obtained his master's and doctorate degrees in Engineering from University of Saskatchewan in Canada in May 1989 and May 1993, respectively. From 1999 to 2004, he had been the president and a director of Q-Net Technologies Co., Ltd., a company which was quoted on the Over-The-Counter Bulletin Board Trading System ("OTCBB") (symbol: QNTI) in the United States of America, responsible for its general management and business development. From 2004 to 2005, he became the chairman of the board of directors of Savoy Resources Co., Ltd., a company quoted on the National Association of Securities Dealers Over-The-Counter Bulletin Board (symbol: SVYR) in the United States of America, responsible for its business development. From 2003 to 2008, he acted as a director of Vendtek Systems Inc., a company listed on Toronto Stock Exchange Venture (symbol: VSI) in Canada, responsible for its business development. From 2007 to 2011, Mr. Lang had also been a director of Zhongrun (Tianjin) Mining Development Co., Ltd (中潤(天津)礦業開發有限公司), a PRC company principally engaged in the development and exploration of metal mines and resources, and relevant consultancy services, responsible for its business development.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Li XY, aged 59, was appointed as an independent non-executive Director on 9 April 2012. He is a member of each of the Audit Committee and the Nomination Committee. Mr. Li XY graduated from Central South Institute of Mining and Metallurgy (中南礦冶學院) (currently known as Central South University (中南大學)) in July 1978, majoring in Metallurgical Analytical Chemistry (冶金分析化學). He also obtained a master's degree of Regional Economics Management (區域經濟管理) granted by Beijing Normal University (北京師範大學) in December 2002. From 1980 to 2000, he worked in Kunming Institute of Metallurgy (昆明冶金研究院) and was appointed as an associate engineer, and a senior engineer in 1986 and 1996, respectively, focusing on the research and technical development of metallurgy.

Biographical Details of Directors and Senior Management

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

Mr. Lin, aged 45, was appointed as an independent non-executive Director on 9 April 2012. He is the chairman of the Audit Committee and the Remuneration Committee. He graduated from The University of Hong Kong (香港大學) in November 1991 with a Bachelor of Science degree. Mr. Lin has previously held senior positions with various companies, including companies listed on the Stock Exchange, and has gained extensive experience in reviewing and analysing financial statements of public and private companies. Between 1994 and 1996, he was a China business analyst of ChinaVest Limited, a venture capital firm, responsible for conducting research and analysis for the company. From 1997 to 2001, Mr. Lin was a vice president of the research department of Merrill Lynch (Asia-Pacific Region), responsible for analyzing various listed companies. He was the chief financial officer of China Resources Land Limited, a company listed on the Stock Exchange (stock code: 01109), from 2002 to 2006 and Longfor Properties Co. Ltd., a company listed on the Stock Exchange (stock code: 00960), from 2006 to 2010, responsible for treasury and financial reporting to the Board of the companies. Mr. Lin was an executive director of Longfor Properties Co. Ltd. between 2008 and 2010, responsible for its financial management and investor relationships. He has also been an independent non-executive director of Shenzhen Expressway Company Limited, a company listed on the Stock Exchange (stock code: 00548) since March 2012.

Mr. Zhang Jingsheng ("Mr. Zhang")

Mr. Zhang, aged 69, was appointed as an independent non-executive Director on 9 April 2012. He is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. He has been an independent director of Shandong Ishine since 2008. He worked as an engineer, manager, deputy dean and dean of Changsha Research Institute of Mining and Metallurgy (長沙礦冶研究院) currently known as the Changsha Research Institute of Mining and Metallurgy Limited (長沙礦冶研究院有限公司) from 1981 to 2007, and was primarily responsible for human resources and financials. Mr. Zhang has been awarded various prizes in relation to ore dressing which include (among others):

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

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

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

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

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

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

SENIOR MANAGEMENT

Ms. Chan Wing Ki Michele, aged 33, was appointed as the Financial Controller of the Company on 9 April 2012. Ms. Chan graduated from Macquarie University, Sydney, Australia with Bachelor of Commerce (Accounting). She also obtained a Postgraduate Diploma, majoring in Commerce, granted by the University of Sydney, Sydney, Australia in October 2006. Ms. Chan was admitted as a Certified Practising Accountant of the Certified Practising Accountants, Australia in December 2009.

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

COMPANY SECRETARY

Ms. Chan Yuen Ying, Stella, aged 43, was appointed as the company secretary of the Company on 9 April 2012. Ms. Chan is a fellow member of the Institute of Chartered Secretaries and Administrators and a fellow member of the Hong Kong Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors. Ms. Chan has over 15 years' experience in handling listed company secretarial matters.

Independent Auditor's Report

To the shareholders of China Zhongsheng Resources Holdings Limited
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Zhongsheng Resources Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 64 to 126, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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 and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2014, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2015

Balance Sheets

(Amounts expressed in thousands of RMB)

		As at 31 December			
		Group		Company	
	Note	2014	2013	2014	2013
ASSETS					
Non-current assets					
Property, plant and equipment	6	391,926	372,452	17	30
Intangible assets	7	131,366	142,218	–	–
Interest in subsidiaries	8	–	–	555,291	459,527
Available-for-sale financial assets	9	416	1,442	–	–
Deferred income tax assets	10	8,914	5,227	–	–
		532,622	521,339	555,308	459,557
Current assets					
Inventories	11	78,785	35,604	–	–
Trade receivables	12	201,128	190,447	–	–
Notes receivables	13	31,750	206,188	–	–
Prepayments and other receivables	14	76,243	75,702	2,958	3,521
Cash and cash equivalents	15	142,024	64,089	48,714	18,362
Restricted bank deposits	15	1,550	68,476	–	–
		531,480	640,506	51,672	21,883
Total assets		1,064,102	1,161,845	606,980	481,440
EQUITY					
Equity attributable to owners of the Company					
Share capital and share premium	16	473,696	382,863	473,696	382,863
Reserves	17	65,195	72,639	128,062	119,549
Retained earnings/(Accumulated losses)	18	177,900	240,410	(60,502)	(32,737)
		716,791	695,912	541,256	469,675
Non-controlling interests		3,397	6,291	–	–
Total equity		720,188	702,203	541,256	469,675

Balance Sheets

(Amounts expressed in thousands of RMB)

		As at 31 December			
		Group		Company	
	Note	2014	2013	2014	2013
LIABILITIES					
Non-current liabilities					
Borrowings	22	50,764	–	50,764	–
Provision for close down, restoration and environmental costs	23	24,654	16,612	–	–
Deferred income tax liabilities	10	21,489	32,614	–	–
		96,907	49,226	50,764	–
Current liabilities					
Borrowings	22	171,280	210,000	–	–
Trade payables	19	40,361	73,749	–	–
Notes payables	20	630	14,786	–	–
Accruals and other payables	21	32,315	94,622	13,701	9,468
Dividend payables	33	1,259	2,297	1,259	2,297
Current income tax liabilities		1,162	14,962	–	–
		247,007	410,416	14,960	11,765
Total liabilities		343,914	459,642	65,724	11,765
Total equity and liabilities		1,064,102	1,161,845	606,980	481,440
Net current assets		284,473	230,090	36,712	10,118
Total assets less current liabilities		817,095	751,429	592,020	469,675

The notes on pages 69 to 126 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 27 March 2015, and were signed on its behalf.

Executive Director

Executive Director

Consolidated Statement of Comprehensive Income

(Amounts expressed in thousands of RMB)

	Note	Year ended 31 December 2014	2013
Revenue	*24*	**426,082**	667,904
Cost of sales	*25*	**(425,238)**	(524,245)
Gross profit		**844**	143,659
Distribution expenses	*25*	**(4,371)**	(12,521)
Administrative expenses	*25*	**(55,346)**	(47,960)
Other (losses)/gains – net	*27*	**(15,761)**	79,494
Operating (loss)/profit		**(74,634)**	162,672
Finance income	*28*	**2,673**	291
Finance expenses	*28*	**(24,491)**	(30,229)
Finance expenses – net		**(21,818)**	(29,938)
(Loss)/Profit before income tax		**(96,452)**	132,734
Income tax credit/(expense)	*29*	**14,812**	(23,627)
(Loss)/Profit for the year		**(81,640)**	109,107
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(78,661)**	111,214
Non-controlling interests		**(2,979)**	(2,107)
		(81,640)	109,107
Other comprehensive income			
Items that may be reclassified to profit or loss			
Change in value on available-for-sale financial assets		**(90)**	90
Currency translation differences		**93**	(2,277)
Total comprehensive (loss)/income for the year		**(81,637)**	106,920
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(78,743)**	109,694
Non-controlling interests		**(2,894)**	(2,774)
		(81,637)	106,920
(Losses)/Earnings per share for (loss)/profit attributable to owners of the Company			(Restated)
Basic (Expressed in RMB per share)	*31*	**(0.02)**	0.03
Diluted (Expressed in RMB per share)	*31*	**(0.02)**	0.03
Dividends	*33*	**–**	2,297

The notes on pages 69 to 126 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(Amounts expressed in thousands of RMB)

		Attributable to Owners of the Company					
	Note	Share capital and share premium *(Note 16)*	Reserves *(Note 17)*	Retained earnings	Subtotal	Non-controlling interests	Total equity
As at 31 December 2013		382,863	72,639	240,410	695,912	6,291	702,203
Comprehensive income							
Loss for the year		–	–	(78,661)	(78,661)	(2,979)	(81,640)
Other comprehensive income							
Currency translation differences		–	65	–	65	28	93
Available-for-sale financial assets	*9*	–	(63)	–	(63)	(27)	(90)
Transaction with owners							
Utilizations		–	(16,151)	16,151	–	–	–
Share-based payments	*34*	–	18,357	–	18,357	84	18,441
Exercise of warrants	*34*	90,833	(9,652)	–	81,181	–	81,181
As at 31 December 2014		473,696	65,195	177,900	716,791	3,397	720,188
As at 31 December 2012		385,160	18,662	184,186	588,008	4,568	592,576
Comprehensive income							
Acquisition of a subsidiary	*38*	–	–	–	–	4,275	4,275
Profit for the year		–	–	111,214	111,214	(2,107)	109,107
Other comprehensive income							
Currency translation differences		–	(1,583)	–	(1,583)	(694)	(2,277)
Available-for-sale financial assets	*9*	–	63	–	63	27	90
Transaction with owners							
Appropriations		–	54,990	(54,990)	–	–	–
Dividends		(2,297)	–	–	(2,297)	–	(2,297)
Share-based payments	*34*	–	507	–	507	222	729
As at 31 December 2013		382,863	72,639	240,410	695,912	6,291	702,203

The notes on pages 69 to 126 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow

(Amounts expressed in thousands of RMB)

	Note	Year ended 31 December 2014	2013
Cash flows from operating activities			
Cash (used in)/generated from operations	*35*	(8,187)	446,855
Interest paid		(21,853)	(24,628)
Interest received		2,673	291
Income tax paid		(16,554)	(15,097)
Net cash (used in)/generated from operating activities		(43,921)	407,421
Cash flows from investing activities			
Restricted bank deposits	*15*	66,926	(68,476)
Purchase of property, plant and equipment ("PPE") and intangible assets		(37,973)	(46,159)
Proceeds from disposal of PPE		679	30
Acquisition of a subsidiary, net of cash acquired		–	(20,557)
Net cash generated from/(used in) investing activities		29,632	(135,162)
Cash flows from financing activities			
Issuance of ordinary shares	*34*	81,181	–
Payment of dividends	*33*	(1,038)	–
Proceeds from borrowings		596,177	143,950
Repayments of borrowings		(584,133)	(433,850)
Net cash generated from/(used in) financing activities		92,187	(289,900)
Net increase/(decrease) in cash and cash equivalents		77,898	(17,641)
Cash and cash equivalents at beginning of the year	*15*	64,089	82,920
Exchange losses on cash and cash equivalents		37	(1,190)
Cash and cash equivalents at end of the year	*15*	142,024	64,089

The notes on pages 69 to 126 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

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

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

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

In January 2013, Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine"), an indirectly wholly-owned subsidiary of the Company, acquired 95% of the equity interest of Linyi Luxing Titanium Co., Ltd. ("Luxing Titanium") at a consideration of RMB20.9 million. Luxing Titanium is a mining company located in Shandong Province, the PRC, and is principally engaged in ilmenite ore mining and processing to produce iron concentrate and titanium concentrate.

These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group's financial statements.

Amendments to HKAS 36, 'Impairment of assets' on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units ("CGUs") which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group's financial statements as a result.

HK (IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 do not have material impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(c) *New Hong Kong Companies Ordinance (Cap. 622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

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

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within 'finance income' or 'finance cost'. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within 'other gains/(losses) – net'.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(b) *Transactions and balances (Continued)*

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) *Group companies*

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

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

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

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

2.5 Property, plant and equipment

Property, plant and equipment, which consist of buildings and structures, mining infrastructures, motor vehicles, equipment and others, are stated at historical cost, less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

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

Stripping costs incurred in the production phase of the surface mines are capitalised and presented as mining infrastructures if, and only if all of the following are met:

- it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the Group;
- the Group can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

Other than mining infrastructures, depreciation of each asset is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

	Estimated useful lives
Buildings and structures	15 years
Motor vehicles, equipment and others	3-10 years

Mining infrastructures (including the main and auxiliary mine shafts and underground tunnels) are depreciated using the units of production method based on ore reserves as the depletion base.

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the consolidated statements of comprehensive income.

2.6 Intangible assets

(a) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses. Mining right includes the cost of acquiring mining licenses, costs transferred from exploration right and exploration and evaluation assets upon determination that an exploration property is capable of commercial production. The mining right is amortised using the units of production method based on ore reserves as the depletion base.

(b) Exploration rights

Exploration rights are stated at cost less impairment loss. Exploration right includes costs incurred in acquiring exploration right and exploration tenement, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (Continued)

(c) Exploration and evaluation assets

Exploration and evaluation expenditures comprise costs which are directly attributable to: researching and analysing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility studies.

During the initial stage of a project, exploration and evaluation expenditures are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised as exploration and evaluation assets if the project proceeds. If a project does not prove viable, all irrecoverable expenditures associated with the project are expensed in the consolidated statements of comprehensive income.

Exploration and evaluation assets are stated at cost less accumulated impairment losses. As the assets are not available for use, they are not depreciated. All capitalised exploration and evaluation expenditures are monitored for the indicators of impairment listed below:

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

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

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

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

When one or more of above indicators are triggered, impairment assessment is performed for each area of interest (which is defined as each exploration license or tenement) in conjunction with the group of operating assets (representing a CGU) to which the exploration is attributed. Exploration areas at which reserves have been discovered but that require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway or planned. If any impairment occurred, the impairment loss is charged to the consolidated statements of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (Continued)

(c) *Exploration and evaluation assets (Continued)*

If the exploration and evaluation assets are sold or abandoned, the cost and the related accumulated impairment losses will be charged to the consolidated statements of comprehensive income in the period in which the sale or abandonment occurred.

Exploration and evaluation assets are transferred to mining right from the commencement of mining activities and are amortised based on unit of production basis.

2.7 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating unit). Each mine represents a CGU. Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 *Classification*

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

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are presented as 'trade receivables', 'restricted bank deposits', 'other receivables' and 'cash and cash equivalents' in the consolidated balance sheet.

(b) *Financial assets at fair value through profit or loss*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

2.8.1 Classification (Continued)

(c) Available-for-sale financial assets

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

2.8.2 Recognition and measurement

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

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

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statements of comprehensive income as 'other gains/(losses) – net'.

Dividends on available-for-sale equity instruments are recognised in the consolidated statements of comprehensive income as part of other income when the Group's right to receive payments is established.

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of financial assets (Continued)

(a) *Assets carried at amortised cost (Continued)*

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

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

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

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statements of comprehensive income on equity instruments are not reversed through the consolidated statements of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statements of comprehensive income.

2.10 Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Trade receivables and other receivables

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

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Trade payables and other payables

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

2.14 Borrowings

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

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

2.15 Borrowing cost

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

2.16 Current and deferred income tax

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax (Continued)

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

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

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

2.17 Employee benefits

(a) Pension obligations

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

(b) Housing benefits

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

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Share-based payments

(a) Equity-settled share-based payment transactions

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

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, requirement for employees to save).

Non-marketing performance and service conditions are included in assumptions about the number of options or warrants that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

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

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

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

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provision for close down, restoration and environmental costs

One consequence of mining is damage of land at the mining sites. Depending on the circumstances, the Group may compensate the inhabitants for the losses or damage of land at mining site due to mining activities. The Group may be required to make payments for close down, restoration, rehabilitation or environmental protection of the land after the sites have been mined.

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during mine development or during the production phrase, based on the net present value of estimated future costs. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of close down. The capitalised cost is amortised over the life of the operation and increase in the net present value of the provision is recognised as interest expense.

Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and related assets, and the effect is then recognised in the consolidated statements of comprehensive income on a prospective basis over the remaining life of the operation. Provisions for close down and restoration costs do not included any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at each balance sheet date to reflect changes in conditions.

2.21 Leases

Leases where a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

2.22 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue associated with the sale of iron concentrate and titanium concentrate is recognised when the goods have been delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (Continued)

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.23 Dividend distribution

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

2.24 Government grants

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

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

Government grants relating to assets are included in non-current liabilities as deferred income and are credited to the consolidated statements of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Shandong Ishine and Luxing Titanium, and Ishine International Resources Limited ("Ishine International"), which operate in the PRC and Australia, are three major subsidiaries of the Group. Almost all of the transactions of Shandong Ishine and Luxing Titanium, and Ishine International are denominated and settled in their respective functional currencies, i.e. RMB and AUD respectively. Therefore the Group has no significant foreign exchange risk from the operations of these three subsidiaries that might impact its consolidated result of operations.

RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

(Amounts expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow interest rate risk

The Group's exposure to cash flow interest rate risks arises from the Group's interest bearing bank deposits and bank borrowings whose interest rates are subjected to adjustments by the PRC government. All borrowings are at variable rates which expose the Group to cash flow interest rate risk. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

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

As at 31 December 2014 and 2013, if the interest rate on borrowings had been higher/lower by 100 basis points, the net profit for each year would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Year Ended 31 December	
	2014	2013
Year ended:		
Net profit (decrease)/increase		
– 100 basis points higher	(2,653)	(3,440)
– 100 basis points lower	2,653	3,440

(b) Credit risk

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

Bank deposits and restricted bank deposits are mainly placed in state-owned banks in the PRC and overseas banks that have investment grade ratings. Notes receivables represent bank acceptance notes. The issuing banks of these bank acceptance notes are either state-owned banks with investment grade ratings or local banks with good reputation. Management believes these financial institutions are of high credit quality and there is no significant credit risk on such bank deposits and bank acceptance notes. Sales to the Group's top five largest customers accounted for 57% and 73%, respectively, of the total revenue for the years ended 31 December 2014 and 2013. All of these major customers are with good credit history. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements.

(Amounts expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated from the financing cash flows and expected future operating cash flows.

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

	Less than 1 year	1-2 years	2-5 years	Above 5 years
As at 31 December 2014				
Borrowings	180,207	4,506	13,517	75,954
Trade payables	40,361	–	–	–
Other payables	25,548	–	–	–
	246,116	4,506	13,517	75,954

	Less than 1 year	1-2 years	2-5 years	Above 5 years
As at 31 December 2013				
Borrowings	221,410	–	–	–
Trade payables	73,749	–	–	–
Other payables	35,912	–	–	–
	331,071	–	–	–

(d) *Concentration risk*

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

During 2014, more than 57% of the Group's revenue was derived from sales made to top five customers (2013: 73%). In the event that these major customers terminate their business relationship with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations. Management of the Group keeps closely monitoring transaction with these major customers.

(Amounts expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

Financial instruments carried at fair value are measured by different levels defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's available-for-sale financial assets are measured at fair value belong to level 1 investment.

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted bank deposits, trade receivables, other receivables and financial liabilities including trade payables and other payables, borrowings, approximate their fair values due to their short maturities and floating interest rate.

3.3 Capital management

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

During the years ended 31 December 2014 and 2013, the Group's strategy was to maintain the gearing ratio below 40%. The gearing ratio at 31 December 2014 and 2013 were as follows:

	As at 31 December	
	2014	2013
Total debt – total borrowings *(Note 22)*	**222,044**	210,000
Less: cash and cash equivalents *(Note 15)*	**(142,024)**	(64,089)
Net debt	**80,020**	145,911
Total equity	**720,188**	702,203
Total capital	**800,208**	848,114
Gearing ratio	**10%**	17%

The decrease in gearing ratio during 2014 is mainly due to the increase of cash and cash equivalents as a result of issuance of new shares.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment for receivables

Provision for impairment of receivables is determined based on the evaluation of the collectability of accounts receivable and notes receivable.

A considerable amount of judgement is required in assessing the ultimate realisation of account receivables, including the past collection history of each counterparty, the current creditworthiness, and the current market condition. The major customers of the Group are steel mills and iron ore processing and trading companies in the neighbourhood area, which account for almost all of the Group's overdue receivables. Based on the prior dealing history, current financial position of these companies and the prevailing market conditions, the Group did not expect any losses from non-performance by these counter parties.

(b) Reserve estimates

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Provision for close down, restoration and environmental costs

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

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

(i) the exact nature and extent of the contamination at various sites including, but not limited to, iron ore and ilmenite ore mines and land development areas, whether operation, closed or sold;

(ii) the extent of required cleanup efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

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

(d) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives appear to be shorter than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Impairment of non-current assets

Non-current assets, including property, plant and equipment, intangible assets, are carried at cost or cost less accumulated depreciation, amortisation and impairment. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

(f) Income taxes and deferred tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities 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 be reflected in the income tax expense and deferred tax provisions in the period in which such determination is made. In addition, the realisation of future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on earnings.

5. SEGMENT INFORMATION

(a) General information

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

Senior Executive Management assesses the performance of the business segments based on relative net profit/loss contributed by the respective segments.

The Group's reportable segments are defined by location, which is the basis by which the CODM makes decisions about resources to be allocated to the segments and assesses their performance. Financial information of the two locations has been separated to present discrete segment information to be reviewed by the CODM.

The CODM assesses performance of two reportable segments:

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

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

(Amounts expressed in thousands of RMB unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

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

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

Expenses, assets and liabilities of the holding companies (the Company, Alliance Worldwide Investment Limited ("Alliance Worldwide"), Fortune Shine Investment Limited ("Fortune Shine"), Shine Mining Investment Limited ("Shine Mining") and Ishine Mining International Limited ("Ishine Mining") (Note 8)) in the Group are excluded from segment information.

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2014 and 2013 is as follows:

	Shandong Ishine and Luxing Titanium	Ishine International	Total
Year ended 31 December 2014			
Revenue	423,266	2,816	426,082
Tenement and exploration expenses	–	(2,462)	(2,462)
Gross profit	1,329	354	1,683
Finance income	2,634	39	2,673
Finance costs	(23,528)	–	(23,528)
Impairment losses			
– Property, plant and equipment	(4,786)	–	(4,786)
– Intangible assets	(6,706)	(3,402)	(10,108)
– Available-for-sale financial assets	–	(922)	(922)
– Inventories	(2,026)	–	(2,026)
Income tax credit	14,812	–	14,812
Net loss	(45,353)	(7,580)	(52,933)
Other information			
Depreciation of property, plant and equipment	37,288	136	37,424
Expenditures for non-current assets	61,975	–	61,975

(Amounts expressed in thousands of RMB unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

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

	Shandong Ishine and Luxing Titanium	Ishine International	Total
Year ended 31 December 2013			
Revenue	667,904	–	667,904
Tenement and exploration expenses	(281)	(539)	(820)
Gross profit/(loss)	149,149	(539)	148,610
Finance income	291	–	291
Finance costs	(29,321)	(12)	(29,333)
Impairment losses			
– Available-for-sale financial assets	–	(744)	(744)
Income tax expense	(23,627)	–	(23,627)
Net profit/(loss)	130,153	(7,519)	122,634
Other information			
Depreciation of property, plant and equipment	35,060	280	35,340
Expenditures for non-current assets	130,208	1	130,209

(i) Reconciliations of reportable segments revenue, profit or loss

	2014	2013
Total revenue for reportable segments	426,082	667,904
Elimination of inter-segment revenue	–	–
Group revenue	426,082	667,904

	2014	2013
Net (loss)/profit for reportable segments	(52,933)	122,634
Other unallocated expenses	(28,707)	(13,527)
Net (loss)/profit	(81,640)	109,107

(Amounts expressed in thousands of RMB unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

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

(i) *Reconciliations of reportable segments revenue, profit or loss (Continued)*

The segment information provided to the CODM for the reportable segments as at 31 December 2013 and 2014 is as follows:

	Shandong Ishine and Luxing Titanium	Ishine International	Total
As at 31 December 2014			
Segment assets	**1,017,976**	**1,892**	**1,019,868**
Segment liabilities	**378,837**	**762**	**379,599**

	Shandong Ishine and Luxing Titanium	Ishine International	Total
As at 31 December 2013			
Segment assets	1,138,662	8,756	1,147,418
Segment liabilities	454,170	324	454,494

(ii) *Reconciliations of reportable segments assets*

	2014	2013
Total assets for reportable segments	**1,019,868**	1,147,418
Other unallocated assets	**605,290**	480,529
Elimination of inter-segment accounts	**(561,056)**	(466,102)
Group assets	**1,064,102**	1,161,845

(iii) *Reconciliations of reportable segments liabilities*

	2014	2013
Total liabilities for reportable segments	**379,599**	454,494
Other unallocated liabilities	**66,061**	12,024
Elimination of inter-segment accounts	**(101,746)**	(6,876)
Group liabilities	**343,914**	459,642

(Amounts expressed in thousands of RMB unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and structures	Mining infrastructures	Motor vehicles, equipment and others	Construction in progress	Total
Year ended 31 December 2013					
Opening net book value	77,402	46,317	77,562	12,209	213,490
Acquisition of a subsidiary *(Note 38)*	9,359	11,885	42,654	1,669	65,567
Additions	530	33,297	20,388	74,625	128,840
Transferred from construction in progress	1,068	–	10,751	(11,819)	–
Written off or disposals – cost	–	–	(78)	–	(78)
Written off or disposals – accumulated depreciation	–	–	54	–	54
Depreciation charge	(9,629)	(3,706)	(22,022)	–	(35,357)
Effect of foreign exchange rate changes	–	–	(64)	–	(64)
Closing net book value	78,730	87,793	129,245	76,684	372,452
At 31 December 2013					
Cost	109,067	101,998	193,038	76,684	480,787
Accumulated depreciation and impairment	(30,337)	(14,205)	(63,793)	–	(108,335)
Net book value	78,730	87,793	129,245	76,684	372,452
Year ended 31 December 2014					
Opening net book value	78,730	87,793	129,245	76,684	372,452
Additions	219	37,719	4,779	19,283	62,000
Transferred from construction in progress	16,370	–	22,294	(38,664)	–
Written off or disposals – cost	–	–	(4,831)	–	(4,831)
Written off or disposals – accumulated depreciation	–	–	4,557	–	4,557
Depreciation charge	(9,289)	(4,164)	(24,009)	–	(37,462)
Impairment charge *(Note 7(d))*	(1,292)	(1,484)	(2,010)	–	(4,786)
Effect of foreign exchange rate changes	–	–	(4)	–	(4)
Closing net book value	84,738	119,864	130,021	57,303	391,926
At 31 December 2014					
Cost	125,656	139,717	215,276	57,303	537,952
Accumulated depreciation and impairment	(40,918)	(19,853)	(85,255)	–	(146,026)
Net book value	84,738	119,864	130,021	57,303	391,926

For the years ended 31 December 2014 and 2013, depreciation expense of RMB21,076,000 and RMB24,175,000 have been charged in "costs of goods sold", RMB5,665,000 and RMB8,748,000 in "administrative expenses", RMB4,093,000 and RMB2,434,000 in "inventories", and RMB6,628,000 and nil in "construction in progress", respectively.

(Amounts expressed in thousands of RMB unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company

	Equipment and others
Year ended 31 December 2013	
Opening net book amount	47
Additions	1
Depreciation charge	(17)
Effect of foreign exchange rate changes	(1)
Closing net book amount	30
At 31 December 2013	
Cost	53
Accumulated depreciation	(23)
Net book value	30
Year ended 31 December 2014	
Opening net book amount	**30**
Additions	**26**
Depreciation charge	**(37)**
Effect of foreign exchange rate changes	**(2)**
Closing net book amount	**17**
At 31 December 2014	
Cost	**77**
Accumulated depreciation	**(60)**
Net book amount	**17**

(Amounts expressed in thousands of RMB unless otherwise stated)

7. INTANGIBLE ASSETS

	Exploration rights (a)	Exploration and evaluation assets (b)	Mining rights (c)	Total
Year ended 31 December 2013				
Opening net book amount	8,757	14,773	4,055	27,585
Acquisition of a subsidiary *(Note 38)*	–	–	119,000	119,000
Additions	–	1,369	–	1,369
Amortisation charge	–	–	(5,058)	(5,058)
Effect of foreign exchange rate changes	(678)	–	–	(678)
Closing net book amount	8,079	16,142	117,997	142,218
At 31 December 2013				
Cost	11,408	16,142	123,327	150,877
Accumulated amortisation and impairment	(3,329)	–	(5,330)	(8,659)
Net book amount	8,079	16,142	117,997	142,218
Year ended 31 December 2014				
Opening net book amount	**8,079**	**16,142**	**117,997**	**142,218**
Amortisation charge	**–**	**–**	**(817)**	**(817)**
Effect of foreign exchange rate changes	**73**	**–**	**–**	**73**
Impairment charge	**(3,402)**	**–**	**(6,706)**	**(10,108)**
Closing net book amount	**4,750**	**16,142**	**110,474**	**131,366**
At 31 December 2014				
Cost	**10,902**	**16,142**	**123,327**	**150,371**
Accumulated amortisation and impairment	**(6,152)**	**–**	**(12,853)**	**(19,005)**
Net book amount	**4,750**	**16,142**	**110,474**	**131,366**

7. INTANGIBLE ASSETS (CONTINUED)

(a) Exploration rights consist of:

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

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

- Cash of AUD50,000 (equivalent to RMB251,000);
- 2,000,000 shares of Ishine International, a subsidiary whose shares were listed on Australian Securities Exchange (ASX code: ISH) issued at price of AUD0.20 per share with a total value of AUD400,000 (equivalent to RMB2,007,000); and
- 5,000,000 options to acquire the shares of Ishine International at AUD0.20 each on or before 31 December 2015 to the vendor (Note 34(a)). The total fair value of the options granted as at date of acquisition was AUD776,100 (equivalent to RMB3,984,000).

(iii) In 2014, the board of directors of Ishine International decided not to pursue further interest in one of the exploration tenements, and the capitalised acquisition cost of AUD613,053 (equivalent to RMB3,402,000) was recognised as an impairment loss.

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

(c) As at 31 December 2013, mining rights with net book value of RMB117,997,000 were pledged as collaterals for the Group's borrowings (Note 22).

(d) In December 2014, a significant decrease in market price of 57% iron concentrates, a major product of Luxing Titanium, indicated an impairment in mining rights. As at 31 December 2014, the management of Luxing Titanium carried out impairment test of Luxing Titanium Mine, which is considered as a CGU, including mining rights, buildings and structures, mining infrastructures, motor vehicles, equipment and others, by comparing net book value with recoverable amount. Recoverable amount of the CGU is calculated using value in use, for which the discount rate adopted is 12.3%. As at 31 December 2014, an impairment provision for mining rights of RMB6,706,000 and for PPE of RMB4,786,000 (Note 6) was recognised.

(Amounts expressed in thousands of RMB unless otherwise stated)

8. INTEREST IN SUBSIDIARIES

The Company

	As at 31 December 2014	2013
Unlisted investment, at cost (a)	217,126	217,126
Amount due from subsidiaries (b)	338,165	242,401
Total interest in subsidiaries	555,291	459,527

(a) Unlisted investment in subsidiaries is stated at the aggregate net book value of the net assets of the subsidiaries acquired, net of the amount due from a subsidiary as mentioned below.

(b) The balance represented amount due from Alliance Worldwide, Fortune Shine, Shine Mining and Ishine Mining, which are the intermediate holding companies. Such amount due from subsidiaries is unsecured, non-interest bearing and not repayable in the foreseeable future.

The Company has direct and indirect interests in the following subsidiaries:

Company name	Place and date of incorporation	Principal activities	Type of legal entity	Issued/paid-up capital	Equity interest attributable to the Group
Directly held:					
Alliance Worldwide	BVI/ 29 November 2010	Investment holding	Limited liability company	USD50,000	100%
Indirectly held:					
Ishine Mining	Hong Kong/ 22 December 2010	Investment holding	Limited liability company	HKD10,000	100%
Fortune Shine	Cayman Islands/ 21 September 2010	Investment holding	Limited liability company	USD50,000	100%
Shine Mining	Hong Kong/ 1 November 2010	Investment holding	Limited liability company	HKD10,000	100%
Shandong Ishine	the PRC/ 4 December 2001	Iron ore mining processing and sales of iron concentrates	Limited liability company	USD16,850,903	100%
Ishine International	Australia/ 18 September 2009	Exploration of metal reserves	Limited liability company	AUD7,621,235	69.51%
Luxing Titanium	the PRC/ 2 July 2008	Ilmenite ore mining processing and sales of iron and titanium concentrate	Limited liability company	RMB22,000,000	95%

As at 31 December 2014 and for the year ended 31 December 2014, there were no significant non-controlling interests of the subsidiaries in the Group.

(Amounts expressed in thousands of RMB unless otherwise stated)

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2014	2013
Beginning balance of the year	1,442	2,441
Effect of foreign exchange rate changes	(14)	(345)
(Loss)/Gain from revaluation	(90)	90
Impairment loss (b)	(922)	(744)
Ending balance of the year	416	1,442

(a) lshine International held 7.8% of the ordinary share capital of Athena Resources Limited ("Athena"), which was a former associate. As at 1 July 2011, Athena ceased to be the Company's associate as the Group no longer demonstrated significant influence due to the dilution of lshine International's equity interests in Athena and resignation of the Group's representative from the board of Athena as director.

(b) The fair value of such financial assets mentioned in note (a) has been determined by reference to published quotation in an active market. During 2014 and 2013, AUD166,000 and AUD124,500 (equivalent to RMB922,000 and RMB744,000) were recognised as impairment losses on the basis that they were considered as a permanent diminution in value.

10. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	As at 31 December	
	2014	2013
Deferred tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	4,643	1,075
– Deferred income tax assets to be recovered within 12 months	4,271	4,152
	8,914	5,227

	As at 31 December	
	2014	2013
Deferred tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	20,770	32,404
– Deferred income tax liabilities to be recovered within 12 months	719	210
	21,489	32,614

(Amounts expressed in thousands of RMB unless otherwise stated)

10. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

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

	Year ended 31 December	
	2014	2013
Beginning balance of the year	(27,387)	(1,662)
Acquisition of a subsidiary *(Note 38)*	–	(22,041)
Recognised in the consolidated statements of comprehensive income	14,812	(3,684)
Ending balance of the year	(12,575)	(27,387)

The movement in deferred income tax assets and liabilities during 2014, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(a) Deferred income tax assets

	Provision for close down, restoration and environmental costs	Deductible operating losses	Others	Total
At 31 December 2013	4,152	–	1,075	5,227
Recognised in the consolidated statements of comprehensive income	118	20,733	4,237	25,088
At 31 December 2014	4,270	20,733	5,312	30,315

(b) Deferred income tax liabilities

	Depreciation of mining infrastructure	Fair value adjustment in business combination	Total
At 31 December 2013	8,648	23,966	32,614
Recognised in the consolidated statements of comprehensive income	10,486	(210)	10,276
At 31 December 2014	19,134	23,756	42,890

(Amounts expressed in thousands of RMB unless otherwise stated)

10. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

(i) Pursuant to the PRC corporate income tax ("PRC CIT"), 10% withholding income tax ("WHT") will be levied on foreign investors for dividend distributions from foreign invested enterprises' profit earned after 1 January 2008. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applied. As at 31 December 2014, Shandong Ishine, the subsidiary of the Group incorporated in the PRC, with total retained earnings amounting to RMB239,751,000 will be subject to this withholding tax. The Group did not recognise the related deferred tax liabilities of RMB11,988,000 as at 31 December 2014, as the Directors of the Company had foreseen that retained earnings up to 31 December 2014 of Shandong Ishine will not be distributed in the future.

(ii) As at 31 December 2014 and 2013, the Group did not recognise deferred income tax assets of RMB14,606,000 and RMB13,566,000 in respect of accumulated losses arising from Ishine International amounting to RMB48,687,000 and RMB45,219,000 respectively, which can be carried forward indefinitely to offset against future taxable income.

11. INVENTORIES

	As at 31 December	
	2014	2013
Raw materials		
– Iron ore and ilmenite ore	**4,112**	1,406
– Others	**12,358**	1,431
Finished goods	**54,972**	26,161
Spare parts and others	**9,369**	6,606
Provision for inventory	**(2,026)**	–
	78,785	35,604

For the years ended 31 December 2014 and 2013, the costs of inventories recognised as cost of sales amount to RMB337,578,000 and RMB390,695,000 respectively.

12. TRADE RECEIVABLES

	As at 31 December	
	2014	2013
Trade receivables	**201,128**	190,447

The Group's sales are mainly made on credit terms of 90 days. As at 31 December 2014 and 2013, the carrying amounts of trade receivables approximated their fair values.

(Amounts expressed in thousands of RMB unless otherwise stated)

12. TRADE RECEIVABLES (CONTINUED)

Aging analysis of trade receivables as at 31 December 2014 and 2013 is as follows:

	As at 31 December	
	2014	2013
Less than 3 months	**89,812**	164,614
3 months to 6 months	**12,470**	24,249
6 months to 1 year	**98,844**	1,554
1 year and above	**2**	30
	201,128	190,447

All the Group's trade receivables were denominated in RMB as at 31 December 2014 and 2013. There was no provision for trade receivables as at 31 December 2014 and 2013. The maximum exposure to credit risk at the balance sheet date was the carrying value of the trade receivables.

As at 31 December 2014, trade receivables with carrying amount of RMB95,634,000 were pledged as collaterals against the Group's bank borrowings (Note 22).

As at 31 December 2014 and 2013, trade receivables of RMB111,316,000 and RMB25,833,000 respectively, were past due but not impaired. These related to a number of independent customers for whom there was no recent history of default.

13. NOTES RECEIVABLES

	As at 31 December	
	2014	2013
Notes receivables		
– bank acceptance notes	**31,750**	206,188

The aging of notes receivables is within 6 months. As at 31 December 2014 and 2013, the carrying amounts of notes receivables approximated their fair values.

As at 31 December 2014, bank acceptance notes with carrying amount of RMB2,000,000 were pledged as collaterals against the Group's bank borrowings (Note 22).

For the year ended 31 December 2014
(Amounts expressed in thousands of RMB unless otherwise stated)

14. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			
	The Group		The Company	
	2014	2013	2014	2013
Advance to suppliers (a)	52,568	43,982	–	–
Undeducted input VAT	5,978	20,278	–	–
Land restoration deposit	5,573	4,425	–	–
Advance to employees	1,204	919	–	–
Prepaid taxes	2,925	–	–	–
Others	7,995	6,098	2,958	3,521
	76,243	75,702	2,958	3,521

(a) As of 31 December 2014 and 2013, advance to suppliers mainly comprised prepayments made to suppliers for purchasing of coarse iron powder.

15. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

The Group

	As at 31 December	
	2014	2013
Cash and cash equivalents		
– Cash on hand	356	334
– Cash at banks	141,668	63,755
	142,024	64,089
Restricted bank deposits		
– Fixed date deposits	–	50,000
– Deposits for bank acceptance notes	730	17,656
– Deposits for letter of credit	820	820
	143,574	132,565

(Amounts expressed in thousands of RMB unless otherwise stated)

15. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS (CONTINUED)

The Group (Continued)

Cash and cash equivalents and restricted bank deposits were denominated in the following currencies:

	As at 31 December	
Original Currency	2014	2013
RMB	92,476	110,189
HKD	48,934	18,885
AUD	1,277	2,912
USD	887	579
	143,574	132,565

RMB is currently not a freely convertible currency in international market. The conversion of RMB into foreign currency and remittance of RMB out of the PRC are subject to the rules and regulations of exchange controls promulgated by the PRC authorities.

The Company

	As at 31 December	
	2014	2013
Cash and cash equivalents		
– Cash on hand	6	6
– Cash at banks	48,708	18,356
	48,714	18,362

Cash and cash equivalents were denominated in the following currencies:

	As at 31 December	
Original Currency	2014	2013
HKD	48,673	18,321
USD	41	41
	48,714	18,362

(Amounts expressed in thousands of RMB unless otherwise stated)

16. SHARE CAPITAL AND SHARE PREMIUM

The Group and the Company

Issued shares:	Number of shares issued and fully paid	Share capital	Share premium	Total
At 1 January 2013	720,871,584	5,834	379,326	385,160
Dividends declared (a)	–	–	(2,297)	(2,297)
At 31 December 2013	720,871,584	5,834	377,029	382,863
Exercise of warrants *(Note 34(c))*	14,000,000	111	20,839	20,950
Share subdivision (b)	2,939,486,336	–	–	–
Exercise of warrants *(Note 34(c))*	233,500,000	369	69,514	69,883
At 31 December 2014	**3,907,857,920**	**6,314**	**467,382**	**473,696**

(a) On 26 March 2013, a dividend of HKD2,880,000 (equivalent to RMB2,297,000) was recommended by the directors of the Company, and lately approved by the shareholders at the annual general meeting ("AGM") held on 14 May 2013. It was paid out of the share premium account of the Company.

(b) On 28 October 2014, the existing issued and unissued shares with par value of HKD0.010 each in the share capital of the Company was subdivided into 5 shares with par value of HKD0.002 each and was approved by the shareholders at the extraordinary general meeting ("EGM") held on 27 October 2014.

(Amounts expressed in thousands of RMB unless otherwise stated)

17. RESERVES

The Group

	Merger reserve (a)	Capital reserve	Statutory reserve funds (b)	Safety fund (c)	Future development fund (d)	Share-based payments reserve	Available-for-sale financial assets reserve	Currency translation differences	Total
At 31 December 2012	(162,269)	50,941	43,650	62,758	18,596	3,869	–	1,117	18,662
Appropriations	–	–	4,833	24,474	25,683	–	–	–	54,990
Change in value on available-for-sale financial assets	–	–	–	–	–	–	63	–	63
Share-based payments (Note 34)	–	–	–	–	–	507	–	–	507
Currency translation differences	–	–	–	–	–	–	–	(1,583)	(1,583)
At 31 December 2013	(162,269)	50,941	48,483	87,232	44,279	4,376	63	(466)	72,639
Utilizations	–	–	–	(15,879)	(272)	–	–	–	(16,151)
Change in value on available-for-sale financial assets	–	–	–	–	–	–	(63)	–	(63)
Share-based payments *(Note 34)*	–	–	–	–	–	18,357	–	–	18,357
Exercise of warrants *(Note 34)*	–	–	–	–	–	(9,652)	–	–	(9,652)
Currency translation differences	–	–	–	–	–	–	–	65	65
At 31 December 2014	(162,269)	50,941	48,483	71,353	44,007	13,081	–	(401)	65,195

(a) Merger reserve

Merger reserve represents the difference between the share capital and share premium issued by the Company for acquisition of the subsidiaries pursuant to a reorganisation for IPO purpose and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation.

(b) Statutory reserve funds

In accordance with the PRC Company Law, Shandong Ishine and Luxing Titanium's articles of association, Shandong Ishine and Luxing Titanium are required to allocate 10% of their profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to the PRC companies ("PRC GAAP") and regulations applicable to Shandong Ishine and Luxing Titanium, to the statutory reserve fund until such reserve reaches 50% of the registered capital of Shandong Ishine and Luxing Titanium. The appropriation to the reserve must be made before any distribution of dividends to owners. The statutory reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as Shandong Ishine and Luxing Titanium's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of Shandong Ishine and Luxing Titanium.

(Amounts expressed in thousands of RMB unless otherwise stated)

17. RESERVES (CONTINUED)

(b) Statutory reserve funds (Continued)

For the year ended 31 December 2013, Shandong Ishine appropriated RMB4,833,000 to the statutory reserve fund, representing 10% of Shandong Ishine's profit after tax for the year then ended, as determined in accordance with the PRC GAAP. For the year ended 31 December 2014, Shandong Ishine did not appropriate to the statutory reserve fund due to Shandong Ishine's loss for the year.

(c) Safety fund

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, Shandong Ishine and Luxing Titanium are required to set aside an amount to a safety fund at RMB8 per ton of iron ore and ilmenite ore mined. The fund can be used for improvements of safety at the mines, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditures, Shandong Ishine and Luxing Titanium are eligible to transfer the equivalent amount of the expenditures from safety fund to retained earnings.

(d) Future development fund

Pursuant to the relevant PRC regulations, Shandong Ishine and Luxing Titanium are required to set aside an amount to a future development fund at RMB15 per ton of raw iron ore and ilmenite ore mined. The fund can be used for future development of the iron ore and ilmenite ore mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditures, Shandong Ishine and Luxing Titanium are eligible to transfer the equivalent amount of the expenditures from future development fund to retained earnings.

The Company

	Capital reserve	Share-based payments reserve	Total
At 31 December 2013	119,549	–	119,549
Recognition of equity-settled share-based payments *(Note 34(c))*	–	18,165	18,165
Exercise of warrants	–	(9,652)	(9,652)
At 31 December 2014	**119,549**	**8,513**	**128,062**

Capital reserve of the Company represents the difference between the excess of the nominal value of the Company's shares issued and the aggregate net asset value at the subsidiaries acquired pursuant to the reorganisation.

(Amounts expressed in thousands of RMB unless otherwise stated)

18. RETAINED EARNINGS/(ACCUMULATED LOSSES)

	Group	Company
At 1 January 2013	184,186	(20,214)
Profit/(Loss) for the year	111,214	(12,523)
Appropriations *(Note 17)*	(54,990)	–
At 31 December 2013	240,410	(32,737)
Loss for the year	(78,661)	(27,765)
Transfer from reserves *(Note 17(c)/(d))*	16,151	–
At 31 December 2014	**177,900**	**(60,502)**

19. TRADE PAYABLES

	As at 31 December	
	2014	2013
Trade payables	**40,361**	73,749

Aging analysis of trade payables at the respective balance sheet dates is as follows:

	As at 31 December	
	2014	2013
Less than 6 months	**19,941**	43,487
6 months to 1 year	**9,010**	21,574
1 year and above	**11,410**	8,688
	40,361	73,749

As at 31 December 2014 and 2013, the carrying amounts of trade payables were denominated in RMB and approximated their fair values.

20. NOTES PAYABLES

	As at 31 December	
	2014	2013
Notes payables		
– Bank acceptance notes	**630**	14,786

The aging of notes payables is within 6 months. As at 31 December 2014 and 2013, the carrying amounts of notes payables approximated their fair values.

(Amounts expressed in thousands of RMB unless otherwise stated)

21. ACCRUALS AND OTHER PAYABLES

The Group

	As at 31 December	
	2014	2013
Deposits and receipts in advance	408	52,334
Other tax payables	2,024	18,679
Guarantee deposits	9,885	9,096
Employee benefit payables	6,359	6,376
Accrued land compensation costs	1,779	3,365
Accrued audit fee	1,900	1,900
Accrued other professional service and consulting fee	3,500	590
Others	6,460	2,282
	32,315	94,622

The Company

	As at 31 December	
	2014	2013
Amount due to Shandong Ishine	6,875	6,875
Employee benefit payables	85	170
Others	6,741	2,423
	13,701	9,468

(Amounts expressed in thousands of RMB unless otherwise stated)

22. BORROWINGS

	As at 31 December	
	2014	2013
Non-current		
Bonds	50,764	–
Current		
Bank borrowings	171,280	110,000
Short-term portion of non-current borrowings	–	100,000
	171,280	210,000
Total borrowings	222,044	210,000
Representing:		
Unsecured bonds wholly payable after 7.5 years (a)	50,764	–
Secured –		
Pledged (b)	–	130,000
Pledged and Guaranteed (c)	91,280	–
Guaranteed (d)	80,000	80,000
	222,044	210,000

(a) During the year ended 31 December 2014, the Company issued bonds with an aggregate amount of HKD82,000,000 to several independent third parties with a coupon rate of 7.00%, payable in 7.5 years from the respective issue dates and received net proceed of HKD63,960,000 (equivalent to RMB50,458,000, net of agency fee of HKD18,040,000). The aggregate carrying amount of the loans is HKD64,348,000 (equivalent to RMB50,764,000) as at 31 December 2014, which approximated their fair values. The fair values are determined using the expected future payments discounted at an effective interest rate of 9.35%.

(b) As at 31 December 2013, bank borrowings of RMB130,000,000 were pledged by mining rights of Shandong Ishine and Luxing Titanium with net book value of RMB117,997,000 (Note 7).

(c) As at 31 December 2014, bank borrowings of RMB1,280,000 were pledged by the Group's notes receivables with carrying amount of RMB2,000,000 (Note 13) and guaranteed by Mr. Li Yunde (Note 37).

As at 31 December 2014, bank borrowings of RMB90,000,000 were pledged by the Group's trade receivables with carrying amount of 95,634,000 (Note 12) and guaranteed by Yishui Hesheng Minerals Processing Co., Ltd., Ms. Zhang Limei and Mr. Li Yunde (Note 37).

(Amounts expressed in thousands of RMB unless otherwise stated)

22 BORROWINGS (CONTINUED)

(d) As at 31 December 2014 and 2013, the following borrowings of the Group were guaranteed by certain third parties and the Controlling Shareholder:

	As at 31 December	
	2014	2013
Joint guarantee given by third parties and the Controlling Shareholder *(Note 37)*		
– Linyi Runxing Investment Co., Ltd. and Mr. Li Yunde	20,000	20,000
– Yishui Hesheng Minerals Processing Co., Ltd. and Mr. Li Yunde	30,000	–
Guarantee given by other third parties		
– Shandong Zhonglian Tegang Co., Ltd.	–	30,000
– Yishui Hesheng Minerals Processing Co., Ltd.	30,000	30,000
	80,000	80,000

(e) As at 31 December 2014 and 2013, the carrying amounts of current borrowings and non-current borrowings approximated their fair values. The weighted average effective interest rate per annum as at 31 December 2014 is 6.93% (2013: 6.37%).

(f) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates were as follows:

	As at 31 December	
	2014	2013
Within 6 months	91,280	30,000
6 months to 1 year	80,000	180,000
1 year and above	50,764	–
	222,044	210,000

(g) The maturity of non-current borrowings as at 31 December 2014 and 2013 were as follows:

	As at 31 December	
	2014	2013
5 years and above	50,764	–

(Amounts expressed in thousands of RMB unless otherwise stated)

23. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	As at 31 December	
	2014	2013
Beginning balance of the year	**16,612**	6,551
Additional provisions	**7,574**	–
Acquisition of a subsidiary *(Note 38)*	**–**	13,488
Interest charge on unwinding of discounts *(Note 28)*	**1,454**	1,208
Payments	**(986)**	(4,635)
Ending balance of the year	**24,654**	16,612

A provision is recognised for the present value of costs to be incurred for the restoration of the damaged land in the mine site due to mining activities and the removal of the processing plants. These costs have been determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value. However, in so far as the effect of the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean-up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are remeasured accordingly.

24. REVENUE

	Year ended 31 December	
	2014	2013
Production		
– Sales of iron concentrate	**295,072**	525,136
– Sales of titanium concentrate	**2,612**	6,754
Trading		
– Sales of coarse iron powder	**125,582**	136,014
Others	**2,816**	–
	426,082	667,904

For the year ended 31 December 2014
(Amounts expressed in thousands of RMB unless otherwise stated)

25. EXPENSES BY NATURE

	Year ended 31 December	
	2014	2013
Changes in inventories of finished goods, iron ore and ilmenite ore	(31,517)	(21,861)
Payment to mining contractors	90,749	78,706
Cost of raw materials for production	134,933	168,019
Cost of raw materials for trading	124,353	129,277
Spare parts and others	19,060	36,554
Employee benefit expenses *(Note 26)*	24,068	34,847
Depreciation *(Note 6)*	26,741	32,923
Amortisation *(Note 7)*	817	5,058
Utilities and electricity	24,475	41,190
Transportation expenses	12,982	20,499
Professional fees	2,363	4,801
Auditor's remuneration	3,669	3,100
Resources tax	14,555	18,511
Impairment losses	17,842	744
Other expenses	19,865	32,358
Total cost of sales, distribution and administrative expenses	484,955	584,726

26. EMPLOYEE BENEFITS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2014	2013
Wages, salaries and allowances	19,214	28,472
Pensions and others welfare expenses	4,854	6,375
	24,068	34,847

27. OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2014	2013
Negative goodwill from acquisition of a subsidiary *(Note 38)*	–	60,323
Government grants	983	19,384
Gains on disposal of PPE	405	6
Losses from issuance of non-listed warrants *(Note 34(c))*	(17,022)	–
Others	(127)	(219)
	(15,761)	79,494

(Amounts expressed in thousands of RMB unless otherwise stated)

28. FINANCE EXPENSES – NET

	Year ended 31 December	
	2014	2013
Finance income		
– Interest income of bank deposits	2,673	291
Exchange losses, net	(901)	(116)
Finance costs		
– Interest expense on bank borrowings	(21,853)	(24,628)
– Interest charge on unwinding of discounts *(Note 23)*	(1,454)	(1,208)
– Interest expense on discount of bank acceptance notes	(2)	(3,210)
– Others	(281)	(1,067)
	(23,590)	(30,113)
Finance costs, net	(21,818)	(29,938)

29. INCOME TAX CREDIT/(EXPENSE)

	Year ended 31 December	
	2014	2013
Current tax	–	(19,943)
Deferred tax *(Note 10)*	14,812	(3,684)
	14,812	(23,627)

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

The subsidiary incorporated in the British Virgin Islands under the International Business Companies Acts of the British Virgin Islands is exempted from payment of the British Virgin Islands income tax.

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the years ended 31 December 2014 and 2013.

Australia corporation income tax is 30%. Australia corporation income tax has not been provided for the subsidiary in Australia as there is no estimated assessable profit arising in or derived from Australia during the years ended 31 December 2014 and 2013.

Corporate income tax ("CIT") in the PRC is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjusting certain income and expense items, which are not assessable or deductible for income tax purposes. According to the PRC Corporate Income Tax Law promulgated by the PRC government on 16 March 2007 (the "New CIT Law"), the tax rate for the Company's PRC subsidiaries, Shandong Ishine and Luxing Titanium, both were 25% from 1 January 2008 onwards.

(Amounts expressed in thousands of RMB unless otherwise stated)

29. INCOME TAX CREDIT/(EXPENSE) (CONTINUED)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Year ended 31 December	
	2014	2013
(Loss)/Profit before income tax credit/(expense)	(96,452)	132,734
Tax credit/(expense) calculated at statutory tax rates	17,470	(35,180)
Tax effects of:		
Income not subject to tax	–	15,081
Expenses not deductible for taxation purposes	(1,618)	(1,572)
Tax losses for which no deferred income tax asset was recognised	(1,040)	(1,955)
Income tax credit/(expense)	14,812	(23,627)

30. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the years ended 2014 and 2013, loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB27,765,000 and RMB12,522,000 respectively.

31. (LOSSES)/EARNINGS PER SHARE

The basic and diluted (losses)/earnings per share is calculated based on the (loss)/profit attributable to shareholders of the Company for each of the years ended 31 December 2014 and 2013. The basic and diluted (losses)/earnings per share are disclosed with equal prominence.

(a) Basic

	Year ended 31 December	
	2014	2013
(Loss)/Profit attributable to owners of the Company	(78,661)	111,214
Adjusted weighted average number of shares in issue	3,647,674,358	3,604,357,920
Basic (losses)/earnings per share (Expressed in RMB per share)	(0.02)	0.03

(Amounts expressed in thousands of RMB unless otherwise stated)

31. (LOSSES)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted

	Year ended 31 December	
	2014	2013
(Loss)/Profit attributable to owners of the Company	(78,661)	111,214
Weighted average number of shares in issue	3,647,674,358	3,604,357,920
Adjustment for unexercised warrants	124,361,601	–
Adjusted weighted average number of shares in issue	3,772,035,959	3,604,357,920
Diluted (losses)/earnings per share (Expressed in RMB per share)	(0.02)	0.03

32. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director for the year ended 31 December 2014 and 2013 is set out below:

	Year ended 31 December	
	2014	2013
Basic salaries and allowances	2,154	2,504
Other benefits including pension	40	36
	2,194	2,540

(Amounts expressed in thousands of RMB unless otherwise stated)

32. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

Directors' emoluments are set out below:

	Salaries and allowances	Pension-defined contribution plan	Total
Year ended 31 December 2014			
Executive Directors			
Li Yunde (李運德)	728	13	741
Geng Guohua (耿國華)	475	13	488
Lang Weiguo (郎偉國)	475	13	488
Independent Non-executive Directors			
Lin Chuchang (林鉅昌)	238	–	238
Zhang Jingsheng (張逕生)	119	–	119
Li Xiaoyang (李曉陽)	119	–	119
Year ended 31 December 2013			
Executive Directors			
Li Yunde (李運德)	941	12	953
Geng Guohua (耿國華)	604	12	616
Lang Weiguo (郎偉國)	479	12	491
Independent Non-executive Directors			
Lin Chuchang (林鉅昌)	240	–	240
Zhang Jingsheng (張逕生)	120	–	120
Li Xiaoyang (李曉陽)	120	–	120

(b) Five highest paid individuals

For the year ended 31 December 2014, the five individuals whose emoluments were the highest in the Group include three (2013: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2013: two) individuals were as follows:

	Year ended 31 December 2014	2013
Basic salaries and allowances	1,165	1,746
Discretionary bonuses	–	96
Other benefits including pension	61	839
	1,226	2,681

(Amounts expressed in thousands of RMB unless otherwise stated)

32. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals (Continued)

The emoluments of the five highest paid individuals fell within the following bands:

	Number of individuals Year ended 31 December 2014	2013
Emolument bands (in HK dollar)		
HKD500,000 and below	–	–
HKD500,001 – HKD1,000,000	5	3
HKD1,000,001 – HKD1,500,000	–	2

During the years ended 31 December 2014 and 2013, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

33. DIVIDENDS

On 26 March 2013, a dividend of HKD2,880,000 (equivalent to RMB2,297,000) was recommended by the directors of the Company, and lately approved by the shareholders at the annual general meeting ("AGM") held on 14 May 2013. It was paid out of the share premium account of the Company.

The dividends paid in 2014 were RMB1,038,000.

The directors of the Company resolved not to declare a dividend in respect of the year ended 31 December 2014.

34. SHARE-BASED PAYMENTS

(a) Shares issued to an employee

In December 2013, pursuant to an employment agreement with an employee of Ishine International, 300,000 shares were approved to be issued if certain service criteria were met. The service criteria are as follows:

(i) On full service of first year – 300,000 shares;

(ii) On full service of second year – 300,000 shares;

(iii) On full service of third year – 300,000 shares;

The expense recognised for employee services received during the year ended 31 December 2014 is AUD55,000 (equivalent to RMB305,000). The fair value of the share-based payment is based on Ishine International's share price of AUD0.22 at grant date, 1 December 2013. There are no vesting conditions apart from the employee fulfilling the service period, and no dividend yield has been included. 300,000 shares were approved to be issued following board approval on 30 November 2013. As at 31 December 2014, none of the above approved shares were issued.

(Amounts expressed in thousands of RMB unless otherwise stated)

34. SHARE-BASED PAYMENTS (CONTINUED)

(b) Share options issued for acquisition of exploration rights

Ishine International has signed share-based payment contracts in 2009 for the acquisition of the exploration rights.

The fair value of the share options granted by Ishine International was estimated as at the date of grant using Black Scholes calculation model, taking into account the terms and conditions upon which the options were granted. Key inputs to the model comprise:

	As at 31 December 2014	As at 31 December 2013
No. of options issued	5,000,000	5,000,000
Exercise price	AUD0.2000	AUD0.2000
Risk free interest rate	5.34%	5.34%
Expiry date	31 December 2015	31 December 2015
Volatility	90%	90%
Grant date fair value	AUD0.1552	AUD0.1552

As disclosed in Note 8(a)(ii), on 3 December 2009, Ishine International granted 5,000,000 share options to a third party vendor in exchange for the acquisition of certain exploration rights in Australia. The options are exercisable at AUD0.20 each on or before 31 December 2015. The total fair value of the options granted as at the date of acquisition amounted to AUD776,100 (equivalent to RMB3,894,000) and was recorded as part of consideration for acquisition of the exploration rights.

Share options outstanding at the end of the respective years have the following expiry date and exercise prices:

		Number of options ('000) As at 31 December	
Expiry date	**Exercise price in AUD per share**	**2014**	2013
31 December 2015	0.2000	5,000	5,000

(c) Non-listed warrants

On 17 July 2014, the Company issued 144,000,000 non-listed warrants (the "Warrants") to certain independent third parties at par value of HKD0.01 each. Each warrant entitles the holder to subscribe for one new share of the Company at an exercise price of HKD1.69 at any time for a period of 12 months from the date of issue.

The Warrants were recognised at fair value, determined based on the valuations performed by an independent professional valuer using the Binominal Model with the following key assumptions:

(Amounts expressed in thousands of RMB unless otherwise stated)

34. SHARE-BASED PAYMENTS (CONTINUED)

(c) Non-listed warrants (Continued)

	Issue date as at 17 July 2014
Exercise price	HKD1.69
Share price	HKD1.45
Volatility	47.59%
Remaining life	12 months
Risk free interest rate	0.11%

The Warrants were measured at fair value of HKD22,896,000 (equivalent to RMB18,164,000) at the initial recognition, and were credited to share-based payment reserve in accordance with HKFRS 2. The excess of the fair value of the Warrants over the consideration of HKD1,440,000 (equivalent to RMB1,142,000) received, amounting to HKD21,456,000 (equivalent to RMB17,022,000) was recognised as an expense in the consolidated statement of comprehensive income for the year ended 31 December 2014.

Warrants of 11,000,000 shares and 3,000,000 shares were exercised at the price of HKD1.69 in September and October 2014 respectively, and were credited to share capital with an amount of HKD140,000 (equivalent to RMB111,000). The excess of the exercise price over the par value, amounting to HKD23,520,000 (equivalent to RMB18,613,000) was recognised as share premium.

On 28 October 2014, each of the existing issued and unissued shares with par value of HKD0.01 each in the share capital of the Company was subdivided into 5 shares with par value of HKD0.002 each. As of the date of share subdivision, there were 130,000,000 outstanding warrants, which were subdivided into 650,000,000 outstanding warrants to subscribe for 650,000,000 subdivided shares with par value of HKD0.002, at a subdivided exercise price of HKD0.338 (Note 16).

After the share subdivision, warrants of 15,000,000 shares, 181,000,000 shares and 37,500,000 shares were exercised at the price of HKD0.338 in October, November and December 2014 respectively, and were credited to share capital with an aggregate amount of HKD467,000 (equivalent to RMB369,000). The excess of the exercise price over the par value, amounting to HKD78,456,000 (equivalent to RMB62,088,000) was recognised as share premium.

As at 31 December 2014, warrants of 416,500,000 shares are issued but not exercised.

(Amounts expressed in thousands of RMB unless otherwise stated)

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before income tax to net cash flow generated from operations:

	Year ended 31 December	
	2014	2013
(Loss)/Profit before income tax	**(96,452)**	132,734
Adjustments for:		
Impairment losses *(Note 25)*	**17,842**	744
Depreciation *(Note 6)*	**26,741**	32,923
Gains on disposal of PPE *(Note 27)*	**(405)**	(6)
Amortisation *(Note 7)*	**817**	5,058
Interest income *(Note 28)*	**(2,673)**	(291)
Interest expense *(Note 28)*	**21,853**	24,628
Negative goodwill from acquisition of a subsidiary *(Note 38)*	**–**	(60,323)
Interest charge on unwinding of discounts *(Note 28)*	**1,454**	1,208
Change in share-based payments reserve	**18,441**	729
Changes in working capital:		
Inventories	**(42,438)**	(482)
Prepayments and other receivables	**(4,811)**	137,396
Trade receivables	**(10,681)**	143,037
Notes receivables	**174,438**	(35,324)
Trade payables	**(33,320)**	2,557
Notes payables	**(14,156)**	13,606
Accruals and other payables	**(63,851)**	52,498
Provision for close down, restoration and environmental costs *(Note 23)*	**(986)**	(4,635)
Restricted bank deposits	**–**	798
Cash (used in)/generated from operations	**(8,187)**	446,855

(Amounts expressed in thousands of RMB unless otherwise stated)

36. COMMITMENTS

(a) Exploration commitment

Ishine International has obligations under the exploration license to spend a minimum amount of exploration expenditures on the project. The obligations may vary from time to time subject to the approval from the relevant government authorities. Due to the nature of Ishine International's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditures may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or any new joint venture agreements. Expenditure may be increased when new tenements are granted or joint venture agreements amended.

The existing tenement commitments in accordance with the contracts are as follows:

	As at 31 December	
	2014	2013
No later than 1 year	**4,512**	4,883
1 to 3 years	**4,285**	8,239
3 to 5 years	**–**	1,281
	8,797	14,403

(b) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December	
	2014	2013
Property, plant and equipment	**5,901**	8,556

37. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

(a) During the years ended 31 December 2014 and 2013, the Group's directors were of the view that the following companies and individuals were related parties of the Group:

Names of related parties	**Nature of relationship**
Mr. Li Yunde	The Controlling Shareholder

(Amounts expressed in thousands of RMB unless otherwise stated)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with related parties

During 2014, the Group has the following significant transactions with related parties:

As at 31 December 2014, bank borrowings with an amount of RMB141,280,000 were jointly guaranteed by the Controlling Shareholder and third parties (Note 22). As at 31 December 2013, bank borrowings with an amount of RMB20,000,000 were jointly guaranteed by the Controlling Shareholder and third parties (Note 22).

(c) Key management compensation

Key management includes directors (executive and non-executive), members of the Executive Committee, and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2014	2013
Wages, salaries and allowances	**2,819**	3,175
Contributions to pension plans	**52**	48
	2,871	3,223

(Amounts expressed in thousands of RMB unless otherwise stated)

38. BUSINESS COMBINATIONS

In January 2013, Shandong Ishine, a wholly-owned subsidiary of the Company, acquired 95% equity interest of Luxing Titanium from a third party. According to the share purchase agreement, the aggregate cash consideration of this acquisition is RMB20,900,000.

The fair values of assets and liabilities arising from this acquisition on the acquisition date are as follows:

	Fair value
Consideration:	
At 1 January 2013	
– Cash	20,900
Total Consideration	20,900
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	343
Property, plant and equipment *(Note 6)*	65,567
Intangible assets *(Note 7)*	119,000
Deferred income tax assets *(Note 10)*	3,496
Inventories	7,935
Trade and other receivables	91,252
Trade and other payables	(8,011)
Provision for rehabilitation *(Note 23)*	(13,488)
Borrowings	(150,000)
Deferred income tax liabilities *(Note 10)*	(25,537)
Taxes payable	(5,059)
Total identifiable net assets	85,498
Non-controlling interest	(4,275)
Negative goodwill	(60,323)
	20,900

39. SUBSEQUENT EVENTS

On 1 March 2015, the Company entered into subscription agreement with a company incorporated in the British Virgin Islands with limited liability (the "Subscriber") pursuant to which the Subscriber has agreed to subscribe for and the Company has agreed to issue and allot 392,000,000 shares (the "Subscription Shares") in cash at the share subscription price of RMB0.304 (equivalent to approximately HKD0.384) per subscription share and 140,000,000 warrants at the issue price of RMB0.016 (equivalent to approximately HKD0.02) per warrant.

The Subscription Shares represent (i) approximately 10.02% of the existing issued share capital of the Company as at 1 March 2015; and (ii) approximately 9.11% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares.

Upon the full exercise of the subscription rights attaching to the warrants at the initial warrant exercise price of RMB0.319 (equivalent to approximately HKD0.402), a total of 140,000,000 ordinary shares will be allotted and issued, representing (i) approximately 3.58% of the entire issued share capital of the Company as at 1 March 2015; (ii) approximately 3.46% of the entire issued share capital of the Company as enlarged by the conversion of warrants into ordinary shares; and (iii) approximately 3.15% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the conversion of warrants into ordinary shares.

The Group is yet to assess the financial impact of the above events.

Financial Highlights

A summary of the operational results, assets and liabilities, cash flows and other financial ratios information is as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December			
	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**426,082**	667,904	871,521	1,010,252
Cost of sales	**(425,238)**	(524,245)	(718,715)	(734,056)
Gross profit	**844**	143,659	152,806	276,196
Selling and distribution expenses	**(4,371)**	(12,521)	(10,973)	(9,649)
Administrative expenses	**(55,346)**	(47,960)	(49,044)	(41,462)
Finance costs, net	**(21,818)**	(29,938)	(33,727)	(48,463)
Share of loss of an associate	**–**	–	–	(1,606)
(Loss)/Profit before tax	**(96,452)**	132,734	66,510	178,032
Income tax expense	**14,812**	(23,627)	(24,113)	(48,042)
(Loss)/Profit and total comprehensive income attributable to:				
Owners of the Company	**(78,661)**	111,214	94,950	262,566
Non-controlling interests	**(2,979)**	(2,107)	(8,501)	(5,059)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	For the year ended 31 December			
	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	**531,480**	640,506	816,150	866,005
Non-current assets	**532,622**	521,339	245,489	229,349
Current liabilities	**247,007**	410,416	358,877	484,294
Non-current liabilities	**96,907**	49,226	110,186	173,167
Equity attributable to:				
Equity holders of the Company	**716,791**	695,912	588,008	429,403
Non-controlling interests	**3,397**	6,291	4,568	8,490

Financial Highlights

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December			
	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash (used in)/generated operating activities	**(43,921)**	407,421	(17,210)	(150,820)
Net cash generated from/(used in) investing activities	**29,632**	(135,162)	(37,000)	165,998
Net cash generated from/(used in) financing activities	**92,187**	(289,900)	(65,765)	148,184

SELECTED FINANCIAL RATIOS

	For the year ended 31 December			
	2014	2013	2012	2011
Gross profit margin	**0.2%**	21.51%	17.5%	27.3%
Net profit margin	**(19.16)%**	16.34%	4.9%	12.9%
Gearing ratio	**10.00%**	17.20%	31.06%	41.84%