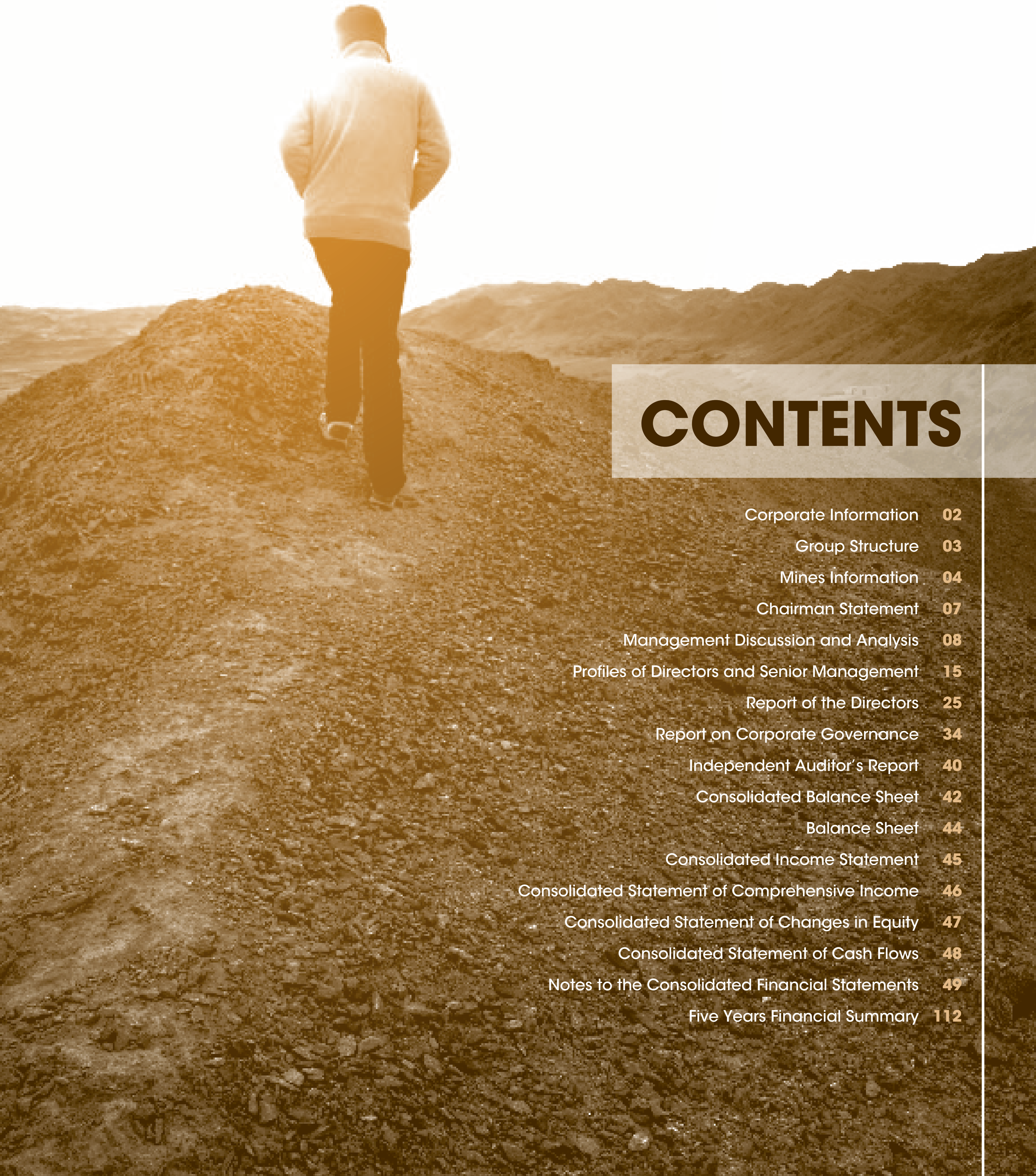
匯力集團
HUILI GROUP

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1303

HUILI RESOURCES (GROUP) LIMITED
匯力資源(集團)有限公司
ANNUAL REPORT 2014



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Dayong *(Chairman)*
Mr. Wang Feng *(Co-chairman)*
Mr. Lu Qi
Mr. Zhao Guangsheng
Mr. Wu Guangsheng
Mr. Zhao Bochen
Mr. Ma Boping
Mr. Sun Zhong

Independent Non-Executive Directors

Mr. Cao Shiping
Mr. Cao Kuangyu
Mr. Zhou Mei-Fu
Mr. Song Shaohuan

AUDIT COMMITTEE

Mr. Song Shaohuan *(Chairman)*
Mr. Cao Shiping
Mr. Cao Kuangyu

REMUNERATION COMMITTEE

Mr. Cao Kuangyu *(Chairman)*
Mr. Lu Qi
Mr. Song Shaohuan

NOMINATION COMMITTEE

Mr. Wang Dayong *(Chairman)*
Mr. Cao Kuangyu
Mr. Song Shaohuan

AUTHORISED REPRESENTATIVES

Mr. Wang Dayong
Mr. Ip Wing Wai

COMPANY SECRETARY

Mr. Ip Wing Wai

INDEPENDENT AUDITOR

PricewaterhouseCoopers
22 Floor, Prince's Building
Central, Hong Kong

LEGAL ADVISERS

as to Hong Kong law
Reed Smith Richards Butler

as to PRC law
Global Law Office

as to Cayman Islands law
Conyers Dill & Pearman

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

In the PRC
No. 38 Guangchang Bei Road
Hami City
Xinjiang Uygur Autonomous Region
PRC

In Hong Kong
3rd Floor
No. 8 Queen's Road Central
Central, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

In the Cayman Islands
Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

COMPANY WEBSITE

www.huili.hk

STOCK CODE

1303

GROUP STRUCTURE

滙力集團
HUILI GROUP

Huili Resources (Group) Ltd
(Stock Code: 1303)

100% — **Right Source International Ltd**

100% — **Fortune In Investment Ltd**

55% (Right Source International Ltd) / 45% (Fortune In Investment Ltd) — **Realty Investment (Group) Ltd**

95% — **Hami Jinhua Mineral Resource Exploiture Ltd***
(Hami Jinhua Concentrator, Project Baiganhu)

100% — **Hami Jiatai Mineral Resource Exploiture Ltd***
(Hami Jiatai Concentrator, Project No. 2, Project No. 20, Project Baiganhu Gold, Project H-989, Project Heishan, Project Huangshan)

100% — **Shaanxi Jiahe Mineral Exploiture Ltd***
(Project Huangjinmei)

* For identification purposes only

MINES INFORMATION

MINERAL RESOURCES AS OF 31 DECEMBER 2014

Project name	Classification	Quantity (kt)	Ni Grade (%)	Cu Grade (%)	Ni metal (t)	Cu metal (t)
Project No. 2	Measured	—	—	—	—	—
	Indicated	910	0.64	0.25	5,790	2,280
	Inferred	570	0.49	0.22	2,820	1,270
	Sub-total	1,470	0.58	0.24	8,610	3,550
Project No. 20	Measured	—	—	—	—	—
	Indicated	1,330	0.71	0.24	9,430	3,150
	Inferred	1,260	0.69	0.25	8,660	3,160
	Sub-total	2,590	0.70	0.24	18,090	6,310
Project H-989	Measured	—	—	—	—	—
	Indicated	3,390	0.49	0.23	16,540	7,750
	Inferred	2,370	0.51	0.19	12,100	4,390
	Sub-total	5,760	0.50	0.21	28,640	12,140
Grand total	Measured	—	—	—	—	—
	Indicated	5,630	0.57	0.23	31,770	13,180
	Inferred	4,200	0.56	0.21	23,580	8,810
	Total	9,830	0.56	0.22	55,340	21,990

Project name	Classification	Quantity (kt)	Zn Grade (%)	Pb Grade (%)	Zn metal (t)	Pb metal (t)
Project Baiganhu	Measured	—	—	—	—	—
	Indicated	1,730	6.57	4.13	113,540	71,440
	Inferred	2,150	6.42	3.96	137,910	85,140
	Total	3,880	6.49	4.03	251,450	156,580

Project name	Classification	Quantity (kt)	Au Grade (g/t)	Au metal (t)
Project Huangjinmei	Measured	—	—	—
	Indicated	1,310	2.84	3.7
	Inferred	1,870	3.00	5.6
	Total	3,180	2.95	9.4

ORE RESERVES AS OF 31 DECEMBER 2014

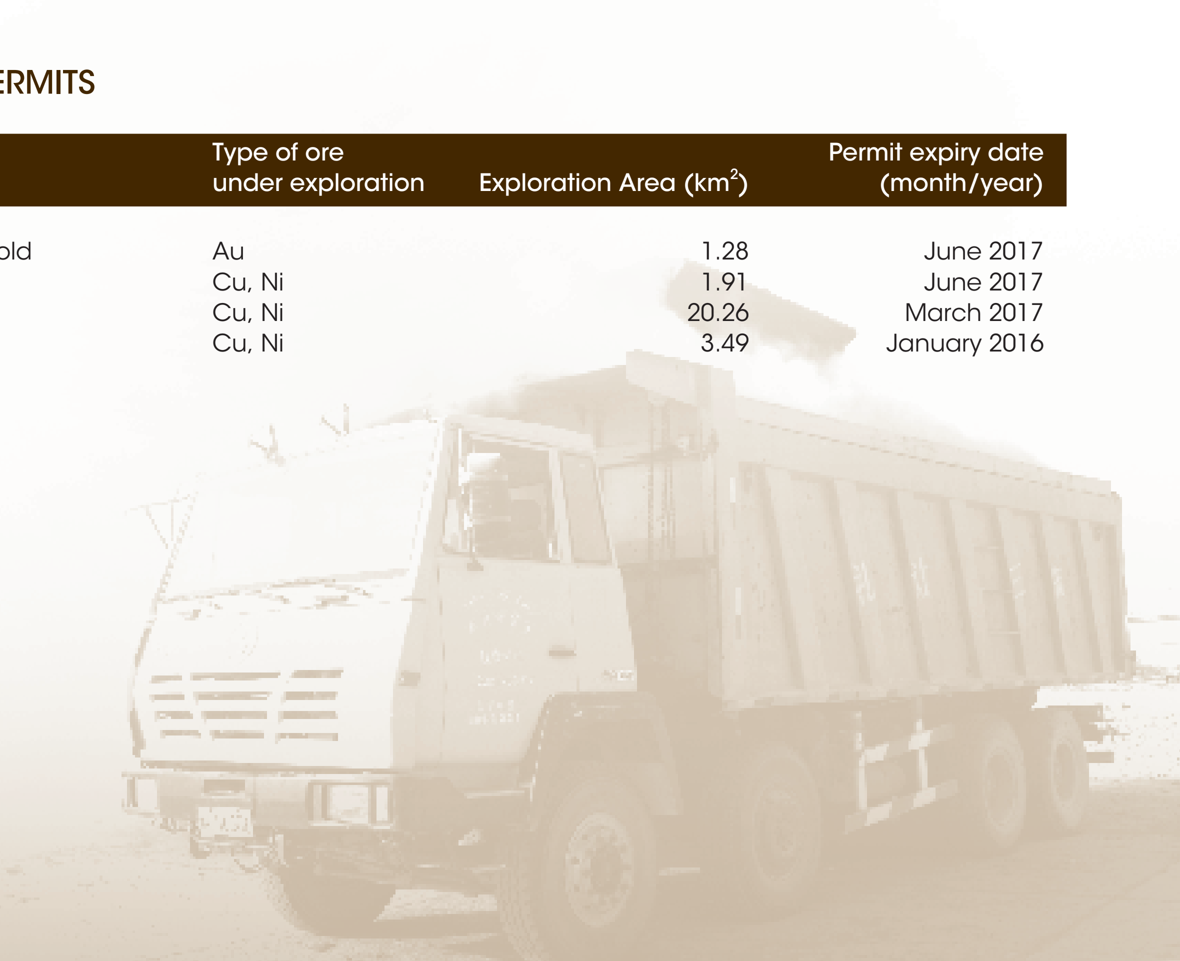
Project name	Reserve classification	Ore Quantity (kt)	Ni Grade (%)	Cu Grade (%)	Ni metal (t)	Cu metal (t)
Project No. 2	Proved	—	—	—	—	—
	Probable	544	0.64	0.25	3,483	1,337
Project No. 20	Proved	—	—	—	—	—
	Probable	1,099	0.64	0.21	7,071	2,362
Grand total	Proved	—	—	—	—	—
	Probable	1,643	0.64	0.23	10,554	3,699

Project name	Reserve classification	Ore Quantity (kt)	Zn Grade (%)	Pb Grade (%)	Zn metal (t)	Pb metal (t)
Project Baiganhu	Proved	—	—	—	—	—
	Probable	1,055	5.95	3.73	62,773	39,352

Source: Independent Technical Report prepared by Minarco-Mine Consult (rounding errors affect the total metal amounts reported above)

EXPLORATION PERMITS

Project name	Type of ore under exploration	Exploration Area (km^2)	Permit expiry date (month/year)
Project Baiganhu Gold	Au	1.28	June 2017
Project H-989	Cu, Ni	1.91	June 2017
Project Heishan	Cu, Ni	20.26	March 2017
Project Huangshan	Cu, Ni	3.49	January 2016



MINING PERMITS

Project name	Type of ore under mining	Mining Area (km^2)	Permit expiry date (month/year)
Project No. 2	Cu, Ni	0.32	June 2013#
Project No. 20	Cu, Ni	0.22	June 2018
Project Baiganhu	Pb, Zn	0.96	September 2021
Project Huangjinmei	Au	0.12	January 2016

Glossary:
Au: Gold
Cu: Copper
Ni: Nickel
Pb: Lead
Zn: Zinc

Operation suspended subject to mine consolidation program

CAPITAL EXPENDITURE AND EXPLORATION EXPENSES

The Group did not carry out any production during the year ended 31 December 2014 and 31 December 2013.

For the year ended 31 December 2014 and 31 December 2013, capital expenditure for the development and mining activities which mainly represented construction of mining structure and explosive storage of the mines were approximately RMB5.5 million and approximately RMB19.6 million respectively.

For the year ended 31 December 2014 and 31 December 2013, exploration expenses charged to the statement of comprehensive income were approximately RMB0.3 million and approximately RMB2.1 million respectively.

CHAIRMAN STATEMENT

Dear shareholders,

The past year was tough for us. In 2014, Huili Resources pushed forward the application, mine engineering and infrastructure setting up with Huangjinmei project, and pre-production preparation with Baiganhu project. Though the Company made ample efforts to meet the diverse and dynamic requirements imposed by the local government, full production of our mines is still pending.

The Company evaluated the prospect of resources and reserves associated with the current exploration tenements, based on the findings of geologic works and studies completed to date. In 2014 three exploration permits (i.e. Hongshanpo, Xidagou and Yinoxia) expired and we decided to give up due to no further findings in those tenements.

We need to tackle the difficulties and make a change. Taking advantage of the exposure in China, mining expertise accumulated and industrial cycle, the Company still aims to expand its resources and reserves base, either through capital expense in exploration or acquisition, based on a tight and feasible production plan. We consider the current depression of non-ferrous industry as a good opportunity to buy.

To deliver more effective performance, the Company plans to restructure its local operating organizations and speed up the studies of emerging opportunities in mining industry and extensive natural resources. The Company still values the strategic cooperation with CRRI and CITIC Merchant, from which we obtain more industrial exposure and get closer to the market.

With the funding from convertible bonds issued to CRRI fund on 19 December 2013 and other possible financing alternatives, the Company believes it is able to have enough financial resources to finance its operation and expansion.

On behalf of the board of directors of Huili Resources, I would like to express my most sincere gratitude to our shareholders, employees, customers and business partners for the continuous support.

Wang Dayong
Chairman

27 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company participates in non-ferrous ore mining and processing. The diversified non-ferrous metal minerals covered by the Company's operation include nickel, copper, zinc and lead in Xinjiang and gold in Shaanxi China. The mining and exploration tenements and ore processing plants in Xinjiang are located close to the municipal city of Hami, which is approximately 400 km south east of Urumqi, the capital of Xinjiang Uygur Autonomous Region. Huangjinmei tenement is located 15 km by sealed road from the regional town of Jinchuan, Ningshan County. The town of Jinchuan is located approximately 140 km south of Xi'an City and is connected by the G210 state highway.

The Company's subsidiaries Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua"), Hami Jiatai Mineral Resource Exploiture Limited ("Hami Jiatai") and Shaanxi Jiahe Mining Exploitation Limited ("Shaanxi Jiahe"), in which the Company has 95% interest, own four mining permits and four exploration permits in Xinjiang and Shaanxi. In 2014, prices of gold, copper and lead dropped further and stayed at relative low levels, compared to in 2013; while nickel and zinc prices recovered during the year. The Company is gauging the fundamental dynamics, expediting the mine engineering, facility upgrading and applying for approvals related to production initiation or relaunch.

Mines under Operation

Hami Jinhua and Hami Jiatai hold three Mining Permits, namely No. 2 Mine, No. 20 Mine and Baiganhu Mine. (i) No. 20 Mine produces copper and nickel ore. Further exploration and study of the deep ore deposit on the west of Shaft 6 are being considered based on the additional exploration in 2012. To meet new requirements of safety production, No. 20 Mine is to upgrade its lifting system before the production relaunch. (ii) Baiganhu Mine produces lead and zinc ore. Further exploration and study of ore bodies are being considered based on the additional exploration in 2012 and 2013. It is setting up the underground production systems and facilities for safety production before the production initiation. (iii) Since January 2011, the production of No. 2 Mine has been suspended as a result of the implementation of the Consolidation Program in Hami. Hami Jiatai is working closely with the Hami Municipal Bureau of Land and Resources to reach a fair and reasonable compensation plan; to date related parties still have not worked out a compensation plan.

Shaanxi Jiahe holds a Mining Permit, namely Huangjinmei Mine which produces gold ore. Further exploration is being considered at Level 960 based on the exploration of Orebody 1-1 at Level 1010 and above in 2013. Shaanxi Jiahe expedited the application for approvals related to mine engineering, infrastructure and construction of ore processing plant; and the production initiation is expected in the near future.

Exploration Permits

Hami Jiatai holds four exploration permits in Xinjiang namely Baiganhu Gold, H-989, Heishan and Huangshan, with minerals covering gold, nickel, copper, lead and zinc. In 2014, Hami Jiatai had already renewed the exploration permits of Baiganhu Gold, H-989 and Heishan. Preliminary exploration and/or drilling plans for such tenements is being considered. Hami Jiatai had conducted some exploration at Banganhu Gold tenement, and identified the preliminary mineralization band and the ore deposit. Previous exploration permits of Hongshanpo, Xidagou and Yinoxia expired in 2014, and the Company decided to give up due to no further findings in those tenements.

Ore Processing Plants

Hami Jiatai operates a copper-nickel ore processing plant ("Jiatai Processing Plant") and Hami Jinhua owns a lead-zinc ore processing plant ("Jinhua Processing Plant"). Both plants are used to treat ore extracted from the deposits, and adopt a non-conventional flotation circuit. The throughput capacity of both plants is 1,500 tons per day. Nickel, copper, lead and zinc concentrates are separated and recovered from bulk concentrate for sell. During 2014, Hami Jiatai sold 125 tons of nickel concentrate inventory, and Hami Jinhua sold 803.7 tons of nickel concentrate and 3,252 tons of lead-zinc ore produced in mine engineering.

RESULTS REVIEW

Revenue and gross loss

For the year ended 31 December 2014, the Group sold nickel concentrate and lead and zinc ore and recorded revenue of RMB3.5 million. In 2013, the Group sold copper concentrates purchased from a third party and recorded revenue of RMB1.1 million.

Cost of sales of RMB25 million (2013: RMB9 million) represented mainly impairment charges, depreciation charges, staff cost of the mines under operation and cost of inventories sold. Gross loss for the year amounted to RMB21.5 million (2013: RMB7.9 million). The significant increase was mainly due to impairment charge on certain mining rights and fixed assets of approximately RMB14 million. There was no such impairment charge recognised in 2013.

In view of continuous depression in the copper and nickel product market during these years, commencement of Hami Jiatai's operations has been postponed since 2009. During the year, there was a collapse in the mining area that Hami Jiatai operates and significant improvement in mining structure and equipment would be necessary to restart its operation. In this regards, the Company has engaged an independent valuer to carry out a review of the recoverable amount of its mining rights, land use rights and properties, plants and equipment (the "2014 Valuation"). Income approach was adopted in assessing the recoverable amount which was determined on value-in-use basis, defined as the present value of the future cash flows ("Discounted Cash Flow" or "DCF") expected to be derived from an asset or cash-generating unit ("CGU"). The approach focuses on the income-producing capability of the CGUs and the payment capability of the liabilities. Based on this valuation principle, the approach estimates the future economic benefits and economic expenditure and discounts these benefits and repayment to its present value using a discount rate suitable for the risks associated with realizing those benefits and repayments. The key assumptions and parameters taken into account in the DCF valuation of Hami Jiatai mainly include: (i) forecast average selling prices of nickel and copper with reference to Bloomberg; (ii) latest production schedule of each CGU; (iii) pre-tax discount rate of 18.9%.

The Company recognized the cost of the above properties based on a valuation report prepared by an independent valuer when it acquired Hami Jiatai in 2008 (the "2008 Valuation"). The 2008 Valuation adopted both sales comparison approach which is based on comparison and adjustment from sales of similar deposits and income approach which is based on risk-adjusted DCF of reasonably expected development and production, the results of which have then been reconciled to estimate the value. Since Hami Jiatai had not yet commenced full production in 2008, sales comparison approach was considered preferable in the 2008 Valuation and the DCF results had been used as a reality check. Subsequent to 2008, the Company has carried out internal impairment review on its mining rights and mining structures annually based on DCF valuation. The changes in key assumptions and parameters adopted in the 2014 Valuation as compared to that in the previous year has been disclosed in Note 8 to the consolidated financial statements. Based on the above review, impairment losses on mining structure and mining rights of Hami Jiatai of approximately RMB3.1 million and approximately RMB10.9 million respectively were recognised in the income statement for the year ended 31 December 2014.

Administrative expenses

Administrative expenses for the year amounted to RMB47.5 million (2013: RMB26.7 million). They included mainly depreciation charges, consulting fees, staff costs, office overheads, and provision for other receivables of approximately RMB25 million for the year ended 31 December 2014. There was no such provision recognised in 2013.

Provision for other receivables represented mainly the non-interest-bearing earnest money paid to Shaanxi Jiatai Hengrun (the "Vendor") in relation to the Shaanxi Jiarun Acquisition Agreement which lapsed on 30 September 2013, details of which have been disclosed in the Company's announcement on the same date. As at the date of this report, the Vendor has not yet returned the earnest money in spite of the Company's considerable effort to procure its refund since the acquisition lapsed. Considering that (i) the aging of the receivable is more than one year; and (ii) the Vendor is believed to be in financial distress, return of the earnest money remained doubtful and therefore provision was made as at 31 December 2014.

Other gains/(losses) — net

Other gains for the year mainly represented mainly fair value gains of RMB18.4 million on the convertible bonds (2013: losses of approximately RMB6.7 million).

Finance costs — net

The Group recorded interest expense of approximately RMB13.5 million on convertible bonds (2013: RMB0.4 million) and interest income of RMB1.2 million (2013: RMB1.1 million). The Group also recognised foreign exchange gains of RMB0.2 million (2013: losses of RMB5.8 million).

Income tax credit/(expense)

Income tax credit for the year was RMB6.3 million (2013: expense of RMB0.4 million), representing deferred taxation arising from impairment, depreciation and provisions.

Loss attributable to the equity holders of the Company

Loss attributable to equity holders of the Company for the year was RMB54.5 million which was primarily the result of impairment charges on certain assets and provision for other receivable aggregating approximately RMB39 million setting off against fair value gains of RMB18.4 million as mentioned above, as compared to a loss of RMB45.4 million in the corresponding period in 2013.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Investment in a mining related fund

On 12 September 2013, the Company entered into a non-binding framework agreement in relation to investment in a mining related fund. Subsequently, on 29 January 2014, the Company entered into the subscription agreement and acceded to the Limited Partnership Agreement, pursuant to which the Company agreed to subscribe for Class B Limited Partnership Interests with a total capital commitment of not more than US$18 million (equivalent to HK$139.5 million) in CRRI State Right Investment Fund L.P. ("the Fund") which is a limited partnership focusing on mining and natural resources industries established and registered under the laws of Cayman Islands. The Company had paid HK$139,500,000 (equivalent to RMB109,768,000) to the Fund during the year.

With the extensive industry background of its management team, the Fund has been actively looking for investment opportunities in mining and natural resources projects around the world. As of the date of this report, certain potential projects have been shortlisted and due diligence works have been on course. The Company considers that the Fund is in a strong position to develop an attractive investment portfolio in mining-related assets. Further details of the investment have been disclosed in the Company's announcements dated 13 September 2013 and 29 January 2014.

Possible acquisitions in the Republic of Ghana

On 20 March 2013, the Company, Geo-Tech and Mr. Wei Xing have entered into a framework agreement in relation to the possible acquisitions of gold mines and mining processing plants in the Republic of Ghana. Pursuant to the agreement, the Company paid an earnest money of RMB10,000,000 (equivalent to HK$12,500,000) to Mr. Wei Xing in consideration of the grant of the exclusive negotiation right for 12 months with 90 days extended subsequently. On 27 January 2014, the Company, Geo-Tech and Mr. Wei Xing have entered into a supplementary agreement pursuant to which the Company paid a further earnest money of HK$20,000,000 (equivalent to RMB15,621,000) to Mr. Wei Xing. On 30 June 2014, the Company, Geo-Tech and Mr Wei Xing had entered into another supplementary agreement pursuant to which the exclusive negotiation right was extended to 31 December 2014.

During the year of 2014, the Company has devoted considerable amount of effort including but not limited to sending a team of internal expertise to the Republic of Ghana to carry out legal and technical due diligence of the gold mining assets. However, the results of the due diligence have not been satisfactory which, combined with the threat of the widespread of Ebola virus across Africa, the Company decided to give up the possible acquisitions and the framework agreement together with its supplementary agreement lapsed on 31 December 2014.

Save as disclosed above, there were no other significant investments, material acquisitions and disposals during the year.

UPDATE ON USE OF PROCEEDS

The Company issued 250,000,000 ordinary new shares of HK$0.1 each at a subscription price of HK$1.7 per share pursuant to a public offering and a listing of such shares on the main board of Hong Kong Stock Exchange Limited on 12 January 2012. Net proceeds received by the Company amounted to approximately HK$400 million. As stated in section headed "Future Plans and Use of Proceeds — Use of Proceeds" of the listing prospectus dated 29 December 2011 (the "Prospectus"), approximately HK$152 million was intended to be used to finance the planned capital expenditure on Project No. 20, Project Baiganhu and Project H-989, approximately HK$9 million to finance the technical modification on the tailings storage facilities of Hami Jinhua Concentrator, and approximately HK$16 million to finance the planned capital expenditure on exploration activities. On 26 March 2013, the Company announced that it has strategically adjusted the schedules of its mining and exploration activities in Hami in view of the market condition. As a result, the Company intended to reduce (i) the planned capital expenditure on Project No. 20, Project Baiganhu and Project H-989 by HK$42 million; (ii) the expenditure on technical modification on the tailings storage facilities of Hami Jinhua Concentrator by HK$9 million; and (iii) the planned capital expenditure on exploration activities by HK$9 million. The part of proceeds subject to the aforementioned change, which amounts to HK$60 million in aggregate or approximately 15% of the said total net proceeds, has been and will be applied, in part, to fund the earnest money in relation to the possible acquisitions in the Republic of Ghana as stated above, and, as to the balance, to finance the Company's working capital and future potential acquisitions if and when suitable opportunities arise.

As a result of lapse of the acquisition of Shaanxi Jiarun in September 2013, the Company applied the said part of the net proceeds initially allocated for such acquisition (i.e. HK$119 million or approximately 30% of the said total net proceed) to fund the Company's working capital and future potential investments including subscription of the Fund as stated above.

All unused net proceeds were and are placed in short term deposits with licensed banks in Hong Kong.

NON-COMPETITION UNDERTAKING

According to the Prospectus, each of the controlling shareholders of the Company, namely Mr. Lu Qi and Mr. Wang Dayong, has under the Non-Competition Agreement undertaken not to compete with the Company in its core business. Each of Mr. Lu and Mr. Wang has also undertaken to provide an annual confirmation to the Company confirming that he and his associates have not breached the terms of the non-competition undertaking and to provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the non-competition deed. Details of the undertaking have been disclosed in the "Relationship With Our Controlling Shareholders" section in the Prospectus.

Each of Mr. Lu and Mr. Wang has provided the annual confirmation to the Company confirming that he and his associates have not breached the terms of the non-competition undertaking for the year ended 31 December 2014. The independent non-executive Directors have also enquired Mr. Lu and Mr. Wang in the board meeting on 27 March 2015 for the purpose of considering and approving the annual results announcement for the year ended 31 December 2014.

LIQUIDITY AND FINANCIAL REVIEW

The Group financed its day to day operations by internally generated cash flow during the year. Primary uses of funds during the year included payment of operating expenses, purchase of property, plant and equipment and payment for subscription for Fund and earnest money for possible acquisitions.

As at 31 December 2014, current assets of RMB130.8 million were comprised of inventories of RMB6.3 million, other receivables and prepayments of RMB51.6 million and cash and cash equivalents of RMB72.9 million. Current liabilities of RMB120 million were mainly comprised of trade payables of RMB1.3 million, other payables and accruals of RMB33.2 million, income tax payable of RMB0.3 million, convertible bonds of RMB84.5 million and derivative component of the convertible bonds of RMB0.7 million. Current ratios, being total current assets to total current liabilities, were 1.1 as at 31 December 2014 (2013: 5.3).

As at 31 December 2014, there was no outstanding interest-bearing bank loan (2013: Nil). As at 31 December 2014, the carrying amount of the liability component of the Company's convertible bonds, which have a 2-year term from 19 December 2013 and bear interest at 2% per annum payable semiannually, was approximately RMB84.5 million (2013: RMB72.5 million). No conversion or redemption of the convertible bonds took place during the year.

The Group conducted its continuing operational business transactions mainly in Renminbi, Hong Kong dollars and US dollars. The Group did not arrange any forward currency contracts for hedging purposes.

GEARING RATIO

Gearing ratio of the Group is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 31 December 2014, the gearing ratio was 3.07%. As at 31 December 2013, the Group's total cash and cash equivalents exceeded the Group's total borrowings and the gearing ratio was therefore not applicable.

CHARGES ON COMPANY'S ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2014, the Group had capital commitments for property, plant and equipments of approximately RMB146.6 million (2013: RMB199.4 million).

As at 31 December 2014, the future aggregate minimum lease payments under non-cancellable operating leases of various offices was approximately RMB3.8 million (2013: RMB1.7 million).

There were no other charges on the Company's assets as at 31 December 2014 (2013: Nil).

The Group may be subject to new environmental laws and regulations that may impose contingencies upon the Group in the future. The Group may also be subject to the effect of under-insurance on future accidents incurred by the employees. Such (i) new environmental laws and regulations; and (ii) under insurance on the employees may impose significant costs and liabilities on the Group.

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2014, the Group employed 84 employees. The total staff costs for the year were approximately RMB12.8 million (2013: RMB13.1 million). The salaries of employees largely depend on their job nature, performance and length of service with the Group. The directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group.

In addition to the basic remuneration, the Group also provides employees with employees benefits, including pension, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-job training, the Group provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop. Directors and employees, among others, are entitled to participate in the share option scheme at the discretion of the board. No share option was granted and outstanding as at 31 December 2014.

FUTURE OUTLOOK

The strong demand for basic metals in China slowed down in recent years. Such status evolved further in 2014. The producers postponed their production activities in order to survive during downturns. Though uncertainty and the structural factors remain with global economy, the Company believes the fundamental demand for basic metals is still solid. The recovery of nickel and zinc prices in the first half of 2014 reflected the fact that shrinking supply of some basic metals outweighed the slowdown of demand.

The Company is to schedule more exploration and study of current mines and tenements in order to extend the mine service lives, thus enriching the resources base and increasing the value of the assets. The recovering of some basic metals price provides good timing to acquire more natural resources, leveraging the Company's competitive advantages of geologic and exploration expertise, ore extracting and processing experience, industrial network with professionals and advisors, and fundraising access. The Company will continue to invest in its existing mining and exploration projects, as well as to look for potential acquisition targets.

On 12 February 2015, the Company entered into a non-binding memorandum of understanding (the "MOU") with Central Rand Gold Limited ("CRG"), a company listed on the London Stock Exchange (stock code: CRND), in relation to a possible acquisition (the "Possible Acquisition") of 74% interests in an operational gold mining company located in South Africa. According to the information provided by CRG, the gold mining company holds a range of prospective gold assets located in world-renowned South African gold mining regions. It owns six exploitable mines with total area of 211 square kilometers and length of ores vein of 40 kilometers. Its gold resources and reserves are more than 1000 tonnes. CRG agreed under the MOU that the Company will entitle to the right of first purchase for a period of four months after signing of the MOU. Details of the Possible Acquisition have been disclosed in the Company's announcement dated 12 February 2015.

Furthermore, to address the going concern issue, the Company has considered and will adopt various measures which include but not limited to: (i) maintain its prolonged strategic relationship with ACE AXIS, who has committed to provide long-term financial and technical support to the Company; (ii) obtain external financing from banks, financial investors and/or other strategic investors; (iii) maximize operational cash flow generating from the Group's existing mine operation as well as assets from new acquisitions; and (iv) procure the recovering of the outstanding receivables from outside parties. It is believed that with the above measures in-place, the Group's financial situation will gradually improve towards end of the year.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Dayong (王大勇)

Mr. Wang, aged 48, is an executive director and the Chairman of the Company. Mr. Wang joined the Group in January 2008. He graduated from the University of Nanjing (南京大學) with a Bachelor degree in Economics. He also holds a Master degree in Commerce and Economics major in Money and Banking from Graduate University of Chinese Academy of Social Sciences (中國社會科學院研究生院) and a Doctor of Economics from the Business School of Jilin University (吉林大學).With over 20 years' experience in investment, finance and management, Mr. Wang is familiar with corporate merger and acquisition and direct investment. He has comprehensive and in-depth knowledge of coal, coal chemical, metal mineral resources industries and maintains strong networks in business field and with central and local government agencies in the PRC.

During July 1988 to December 1998, Mr. Wang had been worked with the China State Farm Agribusiness Group Corp. (中國農墾集團總公司), the PRC. During the period from November 2003 to December 2008, Mr. Wang served as a managing director of China Coal and Coke Investment Fund L.P. (the "Partnership") and China Coal and Coke Investment Holding Company Limited. He was in charge of the foundation of the Partnership which was established on 4 February 2005. His main responsibilities included investment structuring, strategic development and investors relationship. Mr. Wang involved in the investment in Fortune Dragon Group Limited ("Fortune Dragon"), a company with major investment in coking coal mine operations in Shanxi, the PRC. The Partnership exited its investment in Fortune Dragon in July 2008 with satisfactory return on investment. He was an executive director and CEO of E-Life International Limited (Stock Code: 370) (now known as "China Best Group Holding Limited"), from 16 September 2004 to 5 June 2007. During the period from January 2005 to August 2008, Mr. Wang served as a director and chief executive officer of Fortune Dragon. During his tenure with Fortune Dragon, Mr. Wang was responsible for the strategic financing, direct investment and merger and acquisition. Mr. Wang successfully procured a fund raising exercise of USD160 million through an international bank for the investment of three coking coal mines in Shanxi in March 2006. Such three coking coal mines were subsequently sold to Shougang Fushan Resources Group Limited ("Shougang Fushan") (Stock Code: 639) at the consideration of HK$10.53 billion in July 2008. Mr. Wang was also an executive director of King Stone Energy Group Limited ("King Stone Energy") (Stock Code: 663) from July 2009 to January 2013.

Mr. Wang was appointed as a director on 19 February 2010.

Mr. Wang Feng (王峰)

Mr. Wang Feng, aged 42, is an executive director and the Co-Chairman of the Company. He joined the Group in September 2013. He graduated from University of Science and Technology Beijing and holds a Master of Business Administration degree from University of Bath, United Kingdom. He has extensive business network in China and possesses over 15 years' experience in investment, corporate management and media industry. Currently, he is the chairman of Redwood Capital Inc. which has investments in real estate and energy sectors in China and is also involved in fund management of various renowned funds. He is also the chairman of Bond Universal Media Company Limited which engages in media industry. He worked in 3i Group plc, a leading private equity and venture capital company headquartered in United Kingdom, and Hongta venture capital fund and Hongta Xingye Capital, meanwhile, he made outstanding contributions in foundation and establishment of Hongta Securities, under Hongta Group, the largest tobacco enterprise in China. He was also the first executive director of Zhongguancun International Economic & Technical Cooperation Corporation responsible for overseas projects with various giant state-owned enterprises.

Mr. Wang was appointed as a director on 9 September 2013.

Mr. Lu Qi (盧琦)

Mr. Lu, aged 52, is an executive director. Mr. Lu joined the Group in April 2009. He graduated from the Northeastern University of Technology (東北工學院) (now known as Northeastern University (東北大學) with a Bachelor degree in Engineering. From July 1986 to April 1989, Mr. Lu was served as the assistant engineer in the electromechanical engineering department of Dalian Refractory Material Co., Ltd. (大連耐火材料廠). For the period from April 1989 to May 2001, Mr. Lu served in various positions of Mabuchi Motor (Dalian) Ltd. (萬寶至馬達(大連)有限公司). During the tenure, he was first in the position of the material engineer and was mainly responsible for mechanical processing, electronic testing and ultrasonic cleaning of magnet manufacturing. Mr. Lu was then promoted to the team leader of one engineering team, he was responsible for the heating process of magnet manufacturing. He was promoted to the leader of the workshop and was responsible for the technical management of the workshop. Mr. Lu migrated to Canada in 2002. From 2004 to February 2007, Mr. Lu worked as a quality control assembly operator in Cam-Slide Manufacturing New market. Since 2006, Mr. Lu has been returning to the PRC and exploring business and investment opportunities.

Mr. Lu was appointed as a director on 16 December 2011.

Mr. Zhao Guangsheng (趙廣勝)

Mr. Zhao, aged 49, is an executive director and chief executive officer of the Company. Mr. Zhao joined the Group in April 2002. He graduated from the Shenyang Institute of Gold (沈陽黃金學院) specialized in mining geology. He is qualified as an engineer specialized in geology by the Personnel Bureau of Yanbian Korean Autonomous Prefecture (延邊朝鮮族自治州人事局) in 1990. He is specialized in exploration and mining of non-ferrous metals and he has approximately 23 years of experience and extensive knowledge on geological conditions of different mining locations and mineralization conditions and solid experience in mining and ore production management. Prior to joining the Group, Mr. Zhao served as the supervisor of the geological department and production technology and geological engineer in Hunchun Zijin Mining Co., Ltd. (琿春紫金礦業有限公司) for the period from August 1988 to March 2002. During his employment with Hunchun Zijin Minging Co., Limited and served as the supervisor of the geological department, Mr. Zhao, with a team of experts, conducted analysis on the mineralization patterns and geological surveying of the veins in Beishan area (北山), the findings of which eventually led to the successful discovery of No. 0 mine and increased the gold reserves of over 1,000 kilograms and copper reserves of over 1,200 tonnes. He was also in charge of compiling the exploration and surveying report of the middle part of the Beishan area (北山中段), the findings of which had successfully extended the mining life of the mines in Beishan area. In 1993, Mr. Zhao, in the position of production technology and geological engineer, conducted a thorough mineralization patterns study and surveying of the veins area and the surrounding areas of the veins. Mr. Zhao discovered No. 24 vein of Nanshan (南山24號脈), Yangjingou mining areas (楊金溝採礦場) and Shajinping mining areas (沙金坪採礦場), the discovery increased total reserves of 1.5 million tonnes with gold reserves of 4,000 kilograms and copper reserves of 7,500 tonnes. With the new discovered metals, he also participated in the design and construction of the new mines with daily production capacity of 200 tonnes and the new ore processing plant with daily production capacity of 200 tonnes.

From April 2002 to December 2009, Mr. Zhao has held the position as the mine manager, production technology manager and chief engineer of Hami Jiatai. During the period, Mr. Zhao, with a team of experts, has been responsible for analyzing the geological conditions of the exploration and mining areas, compiling raw data to assist the design of various development systems of mines, preparing the monthly production plan and annual production plan for different mines and extracting samples for laboratory testing. Mr. Zhao has to oversee the mining progress on-site and compile reports including the production plan report, the report on mineral preservation management and the report on statistics of existing resources to the management of the Group. Mr. Zhao is also a member of the senior management team responsible for the detailed geological surveying and reserve analysis, and the design of the exploration and mine construction of Project Baiganhu, Project No. 2 and Project No. 20, and thus is experienced in, among other things, lead and zinc mining.

Mr. Zhao was appointed as a director on 16 December 2011.

Mr. Wu Guangsheng (吳光升)

Mr. Wu, aged 63, is an executive director. Mr. Wu joined the Group in November 2002. He graduated from the University of Changchun (長春大學) specialized in operation and management in 1992. Prior to joining the Group, Mr. Wu served as a plant manager to a knitting company in Jilin. Since November 2002, Mr. Wu has held the position as deputy general manager and the head of the processing plants of Hami Jiatai and Hami Jinhua. He is mainly responsible for overseeing and monitoring all aspects of the daily operation of ore processing of Hami Jiatai Concentrator. Mr. Wu on-site monitors the daily operational flow, production capacity, safety measures, environmental protection and quality control of Hami Jiatai Concentrator. Mr. Wu and the heads of other departments formulate and/or decide the yearly production plan, design the operational flows and safety measures, environmental protection and budget the cost of production at the beginning of each year and monthly meetings will be held among the senior management to evaluate the operation and production efficiency. Mr. Wu oversees the daily and monthly production reports, analyses and compares with the planned production and discusses with the production team in Hami Jiatai Concentrator on how to improve the efficiency of the production flow. He suggests to have upgraded processing facilities and machineries and to select appropriate chemicals and/or advanced chemical prescription for ore processing which can effectively reduce the costs of production. He also evaluates the existing safety and environmental protection measures and implements new measures if necessary. Mr. Wu is involved in the preparation of the construction and design of production flow of Hami Jinhua Concentrator and will be responsible for overseeing the overall daily operation and production of Hami Jinhua Concentrator when it has commercial production in future. Mr. Wu has been promoted to general manager of Hami Jiatai and Hami Jinhua in April 2010.

Mr. Wu was appointed as a director on 16 December 2011.

Mr. Zhao Bochen (趙波臣)

Mr. Zhao, aged 52, is an executive director and chief mine manager of the Group. Mr. Zhao joined the Group in November 2002. He graduated from the Wuhan Steel College (武漢鋼鐵學院) (now known as Wuhan University of Science and Technology (武漢科技大學) specialized in mining geology in 1984. Prior to joining the Group, Mr. Zhao served as a geologist engineer and mine manager and participated in ore processing and mining work in Hunchun Zijin Mining Co., Ltd. (琿春紫金礦業有限公司) for over 20 years. During the period, Mr. Zhao participated in several geological surveying and mapping for compiling the report of mine no. 24 of Nanshan mine (南山礦) and designed on the mine construction of Beishan mine (北山礦) and the yearly production planning for each mines. He was also responsible for the mining work of Beishan mine. Mr. Zhao has about 30 years of experience in the industry.

Mr. Zhao has been the chief mine manager of Project No. 2, Project No. 20 and Project Baiganhu since joining the Group. He is mainly responsible for monitoring the day-to-day operations of the mines, including production, safety, mining technology, quality control and mining geology. Mr. Zhao with other senior management lays down the yearly production plan and closely monitors the production progress on-site. He monitors the safety measures, environmental protection and working environment in mines, for example, the sufficiency of ventilation shafts in mines, properly use of safety tools by mining workers, daily checking of the working environment in mines and arranging regular seminars and/or talks on mining safety to mining workers by the relevant regulations or by the Company. He also monitors the repair and maintenance of the mining facilities and machinery and the relevant machinery operations. Mr. Zhao participated in the design, preparation and construction of Project No. 20 and the design of Project Baiganhu.

Mr. Zhao was appointed as a director on 16 December 2011.

Mr. Sun Zhong (孫忠)

Mr. Sun, aged 52, is an executive director. He joined the Group in February 2013. Mr. Sun holds a Doctoral Degree in Management and a Master's Degree in Engineering Management from Huazhong University of Science and Technology (華中科技大學) (formerly known as Central China University of Science and Technology (華中理工大學)). He also holds a Bachelor's Degree in Coal Mine Electrical Automation from Shandong University of Science and Technology (山東科技大學) (formerly known as Shandong Mining College (山東礦業學院)).

Mr. Sun has over 30 years of experience in the power, resources and mining industry. He is currently the managing director of State Right Holdings Limited, a 55% shareholder of CRRI State Right Investment Holding Limited which in turn is the sole shareholder of the general partner of CRRI Fund. Mr. Sun was the managing director of Shanxi Coal Mine Company Ltd. (山西王文煤礦有限公司) from 2006 to 2011, the vice president of Titan Petrochemicals Group Limited (stock code:1192) from 2003 to 2006, the president of Singa-Pacific Petrochemical Co., Ltd. (a Singapore trading company) and the managing director of U.S. SGH International Inc. (an United States oil storage company) from 1997 to 2003. He also worked for various listed and stated-owned power and resources corporations in China from 1983 to 1997.

Mr. Sun was appointed as a director on 25 February 2013.

Mr. Ma Boping (麻伯平)

Mr. Ma, aged 54, is an executive director. He joined the Group in February 2012. Mr. Ma is a senior engineer and has over 30 years of experience in mining industry with more than 23 years of which in the managerial level. Mr. Ma is familiar with all the aspects of a mining company including geo-exploration, mining, mineral processing and metallurgy and specializes in mineral processing research and design, feasibility studies and the construction of gold and non-ferrous metals mine and its related finance management and merger and acquisition. Mr. Ma holds a bachelor degree of engineering in mineral processing from the Wuhan University of Science and Technology and the degree of the executive master of business administration from Cheung Kong Graduate School of Business. He has also studied in the Swedish Institute of Industrial and Commercial Management.

Mr. Ma was the executive director of Guojin Resources Holdings Ltd (stock code: 630)(now known as AMCO United Holding Limited) from December 2009 to May 2011. He was also the vice president of Jinshan Gold Mines Inc (stock code: 2099 and CGG in TSX)(now known as China Gold International Resources Corp. Ltd.), a Canadian mining company focused on gold production in China and listed on both the Toronto Stock Exchange and the Hong Kong Stock Exchange from August 2008 to October 2009, the director, vice president and the chief financial officer and director of Zhongjin Gold Corp. Ltd (stock code 600489), a mining company listed on Shanghai Stock Exchange with controlling stake held by China National Gold Group Corporation (now known as China National Gold Group Corporation) from June 2000 to August 2007, the head of planning and financing department and president's office of China National Gold Corporation from 1996 to 1999 and deputy head for the research management office at the Changchun Gold Research Institute from 1990 to 1992.

Mr. Ma was appointed as a director on 1 June 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cao Shiping (曹仕平)

Mr. Cao, aged 65, is an independent non-executive director. He graduated from the Kunming University of Science and Technology (昆明工學院) (now known as Kunming University of Science and Technology (昆明理工大學) in 1975 majoring in mining. Mr. Cao has the qualification of chief senior engineer and approximately 30 years of experience in mining industry. From 1975 to 1998, Mr. Cao worked for various positions in Dayao Copper Mine (大姚銅礦). During his tenure, Mr. Cao obtained several awards of Yunnan Province Science and Technology Advancement Division Three (雲南省科學技術進步三等獎) granted by Yunnan Province government in the years of 1990, 1992, 1996 and 1997 for his contribution towards technology advancement in various projects. In 1993, Mr. Cao was also awarded as a Model Worker (勞動模範) in the PRC nonferrous metal industry by China Nonferrous Metals Industry Company (中國有色金屬工業總公司) and China National Machinery Metallurgy Union (中國機械冶金工會). The significant contributions by Mr. Cao in engineering also resulted him in receiving the prestigious governmental special allowance granted by the State Council of the People's Republic of China from 1993. Since 1998, Mr. Cao joined Yunnan Copper (Group) Company Limited (雲南銅業（集團）有限公司) for various senior technical positions and currently holds the consultant position. Mr. Cao was admitted as a certified senior Enterprise Risk Manager in 2006.

Mr. Cao was appointed as a director on 16 December 2011.

Mr. Cao Kuangyu (曹貺予)

Mr. Cao, aged 64, is an independent non-executive director. He graduated from the Hunan College of Finance and Economics (湖南財經學院) (now known as University of Hunan (湖南大學) with a Bachelor degree in Finance in 1982. He also holds a Master of Science degree in Financial Management from the University of London. Mr. Cao has extensive experience in the area of banking and finance. For the period from July 1981 to February 1996, Mr. Cao worked in Bank of China, Hunan Province branch and his last position was the deputy president of the branch. For the period from February 1996 to September 1999, he was the deputy general manager of Bank of China, Singapore branch. Mr. Cao was the president of China Citic Bank, Shenzhen branch for the period from September 1999 to September 2003. He was then the managing director of the investment banking division of BOCI Asia Limited from September 2003 to September 2007.

He serves as an independent non-executive director of JLF Investment Company Limited (Stock Code: 472) since February 2004, an independent non-executive director of Dongwu Cement International Limited (Stock Code: 695) since May 2012, an independent non-executive director of Junefield Department Store Group Limited (Stock Code: 758) since January 2013 and an independent non-executive director of Dingyi Group Investment Limited (Stock Code: 508) since December 2014. He served as an independent non-executive director of Simsen International Corporation Limited (Stock Code: 993) from April 2010 to June 2010, a non-executive director of Continental Holdings Limited (Stock Code: 513) from April 2010 to December 2011 and an independent non-executive director of King Stone Energy from February 2010 to April 2012.

Mr. Cao was appointed as a director on 16 December 2011.

Mr. Zhou Mei-Fu (周美夫)

Mr. Zhou Mei-Fu, aged 52, is an independent non-executive director. He holds a Bachelor degree of Science from Nanjing University, a Master degree of Science from University of Saskatchewan, Canada and a Doctor degree of Philosophy from Dalhousie University, Canada. Currently, he is a full professor of Department of Earth Science in the University of Hong Kong, specializing in petrology, mineralogy and economic geology. Mr. Zhou is also a panel member of Scientific Committees of the State Key Laboratory of Ore Deposit Geochemistry and the State Key Laboratory of Mineralogy and Metallogeny Chinese Academy of Sciences, an elected fellow of Society of Economic Geologists and Geological Society of America. Mr. Zhou has been involved in over 240 mineralogy, petrology and economic geology publications. He is also a vise editor in chief of Geoscience Frontiers, associate editor of Geological Society of America Bulletin, a member of advisory board of Resource Geology (an official journal of Society of Resource Geology) and members of editorial boards of Lithos, Mineral Deposits, Acta Petrologica et Mineralogica Sinica, Geology and Exploration and Earth Science Frontiers.

Mr. Zhou was appointed as a director on 8 July 2013.

Mr. Song Shaohuan (宋少環)

Mr. Song Shaohuan, aged 46, is an independent non-executive director. He holds a Bachelor degree in Computer Science from Taiyuan University of Technology, a Master degree in Marketing from University of International Business and Economics, China, a Master degree in Computer Science from the Moore School, University of Pennsylvania and a Master of Business Administration degree from the Wharton School, University of Pennsylvania. He possesses over 20 years' experience in financial management, project investment and corporate management. Currently, he is the partner of Leading Capital responsible for fund management. He was the general partner of Qun Zhan Capital Partner and chief operating officer of Oriental Creation Management Group. Before that, he worked for Booze Allen Hamilton as senior project manager for China practice.

Mr. Song was appointed as a director on 1 October 2013.

SENIOR MANAGEMENT

Mr. Ip Wing Wai (葉永威)

Mr. Ip, aged 36, is qualified accountant, company secretary and the chief financial officer of the Company. Mr. Ip holds a Bachelor degree in Business Administration in Accounting from the The Hong Kong University of Science and Technology. He is a member of The Hong Kong Institute of Certified Public Accountants since 2004. He joined the Company since August 2011. Mr. Ip is responsible for the Group's overall financial reporting and company secretarial functions of the Group. Mr. Ip possesses approximate 15 years of experience in accounting, auditing and corporate field. Mr. Ip worked in an international accounting firm for auditing and Beijing Enterprises Holdings Limited (Stock Code: 392) as an accounting manager. During September 2006 to August 2008, Mr. Ip served as a finance manager and company secretary in a Chinese coal investment company. He was in charge of financial reporting, corporate finance, merger and acquisition and company secretarial matters and he also coordinated the audit work and due diligence work of a transaction in selling the company's interest in three coal mines in Shanxi to Shougang Fushan. He then worked with Shougang Fushan as a senior finance manager from September 2008 to March 2010. During the tenure, he was mainly responsible for the group's financial reporting, project evaluation, regulatory compliance and investors relationship. Prior joining the Group, Mr. Ip has worked for King Stone Energy since April 2010.

Mr. Huang Kenian (黃可年)

Mr. Huang, aged 39, has been the vice president of the Company since January 2008, and is responsible for direct investment and corporate finance. Mr. Huang holds a Bachelor degree in Economics from the Finance and Banking Institute of China (中國金融學院) (now University of International Business and Economics (對外經濟貿易大學). Mr. Huang has over 14 years experience in corporate finance and merge and acquisition field. During the period from November 2003 to October 2009, Mr. Huang served as a vice president of China Coal and Coke Investment Fund L.P. (the "Partnership") and China Coal and Coke Investment Holding Company Limited. He was one of responsible persons in charge of the foundation of the Partnership which established on 4 February 2005. His main responsibilities included due diligence work on target companies, preparation for business development plan and liaison with different professional parties. Mr. Huang involved in the investment in Fortune Dragon in mid of 2005. The Partnership exited its investment in Fortune Dragon in July 2008 with satisfactory return on investment. From January 2005 to July 2008, Mr. Huang worked as a general manager of capital market department in Fortune Dragon. During his tenure with Fortune Dragon, he successfully procured a fund raising exercise of USD160 million through an international bank for the investment of three coal mines in Shanxi in March 2006, led a task force of the initial public offerings of the company during the period from June 2006 to May 2007 and coordinated the deal of selling the company's interest in three coal mines to Shougang Fushan. Between 1998 to 2003, he worked in various companies, including Guofu Investment Management Co., Ltd. (國富投資管理有限公司), Beijing Xintong Media & Cultural Investment Co., Ltd. (北京信通傳之媒文化投資有限公司) and Beijing Jianhao Industrial Co., Ltd. (北京建昊實業有限公司).

Ms. Huang Yongmei (黃永梅)

Ms. Huang, aged 50, is the chief financial officer of China region. She joined the Group in 2003 and was the deputy general manager of the subsidiaries of the Group in the PRC. She was also responsible for reviewing and checking the periodic financial statements, improving the internal controls of finance system, supervising the daily operations of the finance department, monitoring and allocating the internal resources and communicating with local tax bureaus. Ms. Huang also reviewed the financial position and the feasibility of new projects. Ms. Huang passed the accounting qualification exam under The Examination Committee for High Education Self-Learning of the Xinjiang Uygur Autonomous Region (新疆維吾爾自治區高等教育自學考試委員會) in 1994 and was qualified as a certified accountant in 2002.

From September 1984 to November 2003, Ms. Huang worked in several departments of Hami Chemical Factory (哈密地區南昊化工有限責任公司) (now known as Hami Nanhao Chemical Co., Ltd. (哈密地區化工廠) as a workshop settlement clerk, an accountant and a chief finance accountant.

Mr. Li Jiangguo (李建國)

Mr. Li, aged 50, joined the Group as deputy manager of procurement and sales in 2002 and then was promoted as procurement and sales manager. He is responsible for the Group's procurement of mining raw materials, chemicals for ore processing, processing facilities and machinery, sales and marketing and customer relationships. Mr. Li graduated from School of Xinjiang Hami Agriculture Mechanics (新疆哈密農業機械化學校) in 1985.

Mr. Li procured chemicals for mining and ore processing on a timely basis, usually once a month. Mr. Li leads the procurement and sales departments and works closely with the production heads of the mines and the ore processing plants to understand the monthly production plan of the mines and the ore processing plants. He will plan for the quantity of chemicals that need to be consumed during the mining and ore processing and then place purchase orders to selected vendors. He also helps on procurement of processing facilities and machinery for the mines and ore processing plants with the production and technical department. Mr. Li is also responsible for the sales and marketing of the nickel concentrates, copper concentrates, lead concentrates and zinc concentrates to the customers. The major customers usually place sales contracts with the Group for terms of one year to five years. Mr. Li solicits with the customers and renew such sales contracts and negotiate terms. The sales department will also arrange the delivery schedule of the concentrates to the designated delivery point as specified by the customers.

Mr. Li Xidong (李喜東)

Mr. Li, aged 41, has been the engineer of the ore processing plants since 2002. He graduated from Xi´an Mining Institute (西安礦業學院) (now known as Xi'an University of Science and Technology (西安科技大學) specialized mineral processing in1997. Mr. Li has over 15 years of experience in infrastructure design and mineral selection.

During the period from 1997 to 1999, Mr. Li worked in Longnan Chengxian Huangzhuxindu of Gansu Province (甘肅省隴南市成縣黃渚鋅都) and Chengxian Yaxing of Gansu Province (甘肅省成縣亞興) as the supervisor of various ore processing plants. The locations of ore processing plants which shall be in a geological location that would not cause material pollution to the environment and the infrastructure design of the ore processing plants to increase processing capacity. He was also responsible for overseeing and managing the ore processing operations, including the crashing and grading of lump ore and concentrations, as well as separating of various non-ferrous metal concentrates.

Mr. Li is responsible for on-going monitoring and management of the engineering design and mineral selection of Hami Jiatai Concentrator and Hami Jinhua Concentrator. He had been worked on several infrastructure design, construction and installation, reports compiling and mineral selection projects since 2002. In 2004, Mr. Li, with a team of experts, compiled a feasibility study and testing report on copper and nickel concentrates selection of Hami Jiatai Concentrator, which led to the success installation of facilities and implementation of the plan to increase the daily processing capacity to 1,500 tonnes of copper and nickel ore in Hami Jiatai Concentrator in 2005. In 2006, Mr. Li led a team to compile a feasibility study and testing report on lead and zinc concentrates selection of Hami Jinhua Concentrator, which led to the success installation of facilities and implementation of the plan to increase the daily processing capacity to 1,500 tonnes of lead and zinc ore in Hami Jinhua Concentrator in 2006. Mr. Li is also experienced in the installation, tuning and testing of automation systems and is skilled in handling technical problems of mechanical and electrical integration in the ore processing plants.

Leveraging on his expertise in system design, installation of ore processing facilities and tuning and testing of ore processing plant, he will be responsible for the selection of ore processing plants in Project Huangjinmei and the machinery and technical issues and installation of the ore processing plants.

Mr. Zhang Li (張理)

Mr. Zhang, aged 54, has been the manager of Project No. 20 since June 2006 responsible for the daily operation of Project No. 20. Mr. Zhang has approximately 35 years of experience in mining, mine operation management and safety and environmental protection of mines. Prior joining the Group, Mr. Zhang held several positions in China National Gold Group Corporation JiaPiGou Mining Co., Ltd. (中國黃金集團夾皮溝礦業有限公司), including mining worker, production team leader and the head of safety and environmental protection for the period from 1978 to 2006. In the position of the production zone leader, Mr. Zhang had extensive experience on mining processing of gold ores and on-site supervision of mining production. He was responsible for supervising a team of mining workers on mining techniques, mining quality and the production progress which shall be in line with the scheduled production plan. In the position of the environmental safety team leader, Mr. Zhang was responsible for the compliance of relevant rules and regulations on the environmental protection in the mining areas and the safety measures were well-established and such measures were well-enforced on-site. Mr. Zhang organized regular talks to mining workers on safety issues and a compulsory seminar that was organized for newly joined mining staff.

Leveraging on Mr. Zhang's extensive experience in mining, mine operation management and safety measures of mines, he was responsible for the overall management of Project No. 20 in areas of mining, production, quality control and safety and environmental protection measures.

Mr. WANG Wenhan (王文漢)

Mr. Wang, aged 48, is the engineer and project manager. He was responsible for the operation of Project No. 20 since 2004 and was responsible for the surveying, design and construction of Project Huangjinmei. Mr. Wang has approximately 19 years of experience in the non-ferrous metal mineral exploration, surveying and mine industry. Mr. Wang graduated from Changchun Metallurgical Geology School (長春冶金地質專業科校), specialized in geologist exploration in 1989. Mr. Wang is qualified as a geologist engineer from Gold Management Bureau of Henan Province (河南省黃金管理局) in 1996.

Prior to joining the Group, Mr. Wang worked with Luoyang Kunyu Mining Co., Ltd. (洛陽坤宇礦業有限公司) from 1989 to 1998. He served as a geologist and then a production technical supervisor in Gan Shu gold mine (幹樹金礦) in Luoning County (洛寧縣) and a deputy manger of Qing Gangping gold mine (青崗坪金礦) in Luoning County (洛寧縣). During his tenure, he led a team of experts and successfully explored and evaluated Liu Xiuguo gold mine area (劉秀溝金礦區) and Zheng Nangougold mine area (正南溝金礦區), and discovered available reserves of gold of 3.03 metric tonnes and prospective reserves of over 10 metric tonnes. He and the team designed the production plan and were able to extend the mining life of Gan Shu goldmine from 8 years to approximately 20 years. Gan Shu gold mine is currently still under operation. He was responsible for the design and construction of the mine and ore processing plant of Qing Gangping gold mine. Through effective management, training to technical staff use of advanced technical methods and well coordination between departments, the team led by him was able to shorten the trial production period to eight months and the production of Qing Gangping gold mine was able to run in full scale.

For the period from 2004 to 2006, Mr. Wang was responsible for the design of production, monitoring the geology condition change and mining technology of Project No. 20. Currently, Mr. Wang is responsible for Project Huangjinmei in Shaanxi Province. He assisted in the geological surveying and mapping, compiling exploration and mineral reserves report and other required reports to be submitted to the relevant governmental bureaus for obtaining the mining permits of Project Huangjinmei. Mr. Wang is also responsible for the design of mining, selection the processing plants location, design for processing plants and relevant preparation works for trial production in Project Huangjinmei.

The directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands in preparation for a listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company issued 250,000,000 ordinary new shares of HK$0.1 each at a subscription price of HK$1.7 per share pursuant to the public offering. The Company's shares including these new shares were listed on the main board of Hong Kong Stock Exchange Limited on 12 January 2012.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING AND CHANGE IN USE OF PROCEEDS

Net proceeds received by the Company from the public offering amounted to approximately HK$400 million. As stated in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" of the Prospectus, approximately HK$152 million is intended to be used to finance the planned capital expenditure on Project No. 20, Project Baiganhu and Project H-989, approximately HK$9 million to finance the technical modification on the tailings storage facilities of Hami Jinhua Concentrator, and approximately HK$16 million to finance the planned capital expenditure on exploration activities.

On 26 March 2013, the Company announced that it has strategically adjusted the schedules of its mining and exploration activities in Hami. As a result, the Company intends to reduce (i) the planned capital expenditure on Project No. 20, Project Baiganhu and Project H-989 by HK$42 million; (ii) the expenditure on technical modification on the tailings storage facilities of Hami Jinhua Concentrator by HK$9 million; and (iii) the planned capital expenditure on exploration activities by HK$9 million. The part of proceeds subject to the aforementioned change, which amounts to HK$60 million in aggregate or approximately 15% of the said total net proceeds, has been and will be applied, in part, to fund the earnest money in relation to possible processing plant acquisition in the Republic of Ghana and, as to the balance, to finance the Company's working capital and future potential acquisitions.

As a result of the lapse of the Shaanxi Jiarun Acquisition Agreement, the Company applied the said part of the net proceeds initially allocated for the acquisition of Shaanxi Jiarun (i.e. HK$119 million or approximately 30% of the said total net proceed) to fund the Company's working capital and future potential investments including subscription of an investment fund during the year.

All unused net proceeds were and are placed in short term deposits with licensed banks in Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the mining, ore processing and sales of nickel, copper, lead, zinc and gold products in the People's Republic of China, details of which are set out in Note 10 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The result of the Group's for the year ended 31 December 2014 are set out in the consolidated income statement and consolidated statement of comprehensive income on page 45 and 46, respectively.

The directors of the Company do not recommend the payment of dividend.

DISTRIBUTABLE RESERVES

The Company's distributable reserves consist of share premium and retained earnings, if any.

Under the Companies Law of the Cayman Islands, the share premium account is distributable to shareholders if immediately following the date on which the Company proposes to distribute the dividend, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2014, the Company had a reserve balance of RMB338,872,000, representing share premium of RMB416,979,000 net of accumulated losses of RMB78,107,000, available for distribution to the shareholders.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 112.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 7 to the consolidated financial statements.

SHARE CAPITAL AND CONVERTIBLE NOTES

Details of movements in the Company's share capital and convertible notes are set out in Note 17 and 22 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a prorata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Notes 17, 18 and 19 to the consolidated financial statements.

MAJOR CUSTOMER AND SUPPLIER

In the year under review, there were only one customer and one supplier of the Group. None of the directors of the Company or any of their respective close associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's above-mentioned customer and supplier.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Wang Dayong *(Chairman)*
Mr. Wang Feng *(Co-Chairman)*
Mr. Lu Qi
Mr. Zhao Guangsheng
Mr. Wu Guangsheng
Mr. Zhao Bochen
Mr. Ma Boping
Mr. Sun Zhong

Independent non-executive directors:

Mr. Cao Shiping
Mr. Cao Kuangyu
Mr. Zhou Mei-Fu
Mr. Song Shaohuan

In accordance with the Company's articles of association, (i) directors appointed shall hold office until the forthcoming annual general meeting and eligible for re-election and (ii) at each annual general meeting one-third of directors shall retire from office by rotation. Mr. Lu Qi, Mr. Zhao Guangsheng, Mr. Ma Boping and Mr. Cao Kuangyu will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 15 to 24.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The remuneration of the directors are determined by the remuneration committee of the Company with reference to the directors' duties, responsibilities and performance and the results of the Group. Further details of the Company's remuneration committee are set out in the corporate governance report on pages 34 to 39 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material 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.

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

As at 31 December 2014, the following directors or the chief executives of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Name of director	Nature of interest	Total interest in shares	Approximate percentage of the Company's issued share capital
Mr. Wang Dayong (note 1)	Interest in a controlled corporation	274,343,135 (L)	27.43%
Mr. Sun Zhong (note 2)	Interest in a controlled corporation	243,000,000 (L)	24.30%
Mr. Lu Qi (note 3)	Interest in a controlled corporation	100,008,276 (L)	10.00%

Remarks: (L): Long position

Notes:

1. 274,343,135 shares were held by Sky Circle International Limited which is wholly owned by Mr. Wang Dayong.

2. 243,000,000 shares were held by Harvest Gain Investments Limited which is wholly owned by Mr. Sun Zhong.

3. 100,008,276 shares were held by King Award Limited which is wholly owned by Mr. Lu Qi.

Interests in the shares of associated corporations of the Company

Name	Name of associated corporation	Nature of interest	Approximately percentage of interest in the share capital of the associated corporation
Mr. Wang Dayong	Sky Circle International Limited	Beneficial owner	100%
Mr. Sun Zhong	Harvest Gain Investments Limited	Beneficial owner	100%
Mr. Lu Qi	King Award Limited	Beneficial owner	100%

Save as disclosed above, as at 31 December 2014, none of the directors and chief executives of the company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

No directors of the Company are considered to have interests in any business which is likely to compete directly or indirectly with that of the Group.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of encouraging the eligible participants to work towards enhancing the value of the Company and shareholders as a whole. Eligible participants of the Share Option Scheme include directors, officers, employees and consultants of any member of the Group. The Share Option Scheme became effective on 16 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Initially the maximum number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 100,000,000 shares, being 10% of the aggregate of the shares in issue as at the listing date. However the Company may refresh this 10% limit with shareholders' approval provided that each such limit (as refreshed) may not exceed the 10% of the shares in issue as at the date of the shareholders' approval. The total number of shares which may be issued upon exercise of all share options granted and yet to be exercised under the Share Option Scheme or any other share option schemes must not exceed 30% of the shares in issue from time to time.

The maximum number of shares issued and to be issued upon exercise of the share options granted to each participant under the Share Option Scheme in any 12 month period must not exceed 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval. Each grant of share options to any director, chief executives or substantial shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). Where any grant of share options to a substantial shareholder or an independent non-executive director, or any of their respective associates, in excess of 0.1% of the shares in issue or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12 month period, are subject to shareholders' approval in advance in a general meeting.

The amount payable on acceptance of an option is HK$1.00, which must be paid within 14 days from the date on which the letter containing the offer of option is delivered to that participant. The period within which the share options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant date of grant. The Share Option Scheme does not contain the minimum period for which an option must be held before it can be exercised.

The exercise price of the share options is determined by the directors of the Company, but will no less than the higher of (a) the closing price of the shares on the date of grant; (b) the average closing price of the shares for the five business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

As at the date of this report, the Company has not granted any share option under the Share Option Scheme.

Saved as disclosed above, at no time during the year, the directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

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.

PERSON WHO HAVE AN INTEREST IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

So far as was known to the Directors and the chief executive of the Company, as at 31 December 2014, the following persons (not being directors or chief executive of the Company of which interests were disclosed above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of interest	Total interests in shares	Approximate percentage of the Company's issued share capital
Sky Circle International Limited	Beneficial owner (Note 1)	274,343,135 (L)	27.43%
Yuan Hong	Interest of spouse (Note 1)	274,343,135 (L)	27.43%
Harvest Gain Investments Limited	Beneficial owner (Note 2)	243,000,000 (L)	24.30%
King Award Limited	Beneficial owner (Note 3)	100,008,276 (L)	10.00%
China Railway Group Limited	Interest in a controlled corporation (Note 4)	121,300,000 (L)	12.13%
CRRC Investment Limited	Beneficial owner/Interest in a controlled corporation (Note 4)	121,300,000 (L)	12.13%
Ace Axis Limited	Beneficial owner (Note 4)	70,000,000 (L)	7.00%
Liu Shao Lin	Beneficial owner	113,586,589 (L)	11.36%
High Inspiring Limited	Beneficial owner (Note 5)	106,348,589 (L)	10.63%
China Construction Bank Corporation	Interest in a controlled corporation (Note 5)	106,348,589 (L)	10.63%

Remarks: (L): Long position

Notes:

1. Yuan Hong is the wife of Mr. Wang Dayong. Mr. Wang is the legal and beneficial owner of the entire issued share capital of Sky Circle International Limited.

2. Mr. Sun Zhong is the legal and beneficial owner of the entire issued share capital of Harvest Gain Investments Limited.

3. Mr. Lu Qi is the legal and beneficial owner of the entire issued share capital of King Award Limited.

4. China Railway Group Limited indirectly owns CRRC Investment Limited, which held 51,300,000 shares and indirectly owns Ace Axis Limited which has a long position of convertible bonds and warrants convertible into 70,000,000 shares.

5. High Inspiring Limited is indirectly and owned by China Construction Bank Corporation.

Save as disclosed above, as at 31 December 2014, the directors and the chief executive of the Company were not aware of any other person who had, or was deemed to have, interests and/or short positions in the shares or underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 36 to the consolidated financial statements.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

ON BEHALF OF THE BOARD

Mr. Wang Dayong
Chairman

Hong Kong, 27 March 2015

REPORT ON CORPORATE GOVERNANCE

INTRODUCTION

The Company is committed to maintain a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year except for provision A4.1 of the Code as explained in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model code") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the directors. Having made specific enquiry of all directors, the directors confirm that they have complied with the required standard as set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board of directors (the "Board") is principally accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, strategic directions, financial performance, setting objectives and business development plans, and monitoring the performance of the senior management.

The Board, with balance of skills and experience, meets regularly to formulate overall strategy, monitor business development as well as the financial performance of the Group and has formal procedures on matters for consideration and decision. The Board has delegated certain authorities to the senior management for the day-to-day management of the Group's operation.

The directors have no financial, business, family or other material/relevant relationship among themselves.

The Company has received the annual confirmation of independence from each of the independent non-executive directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent.

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The attendance of each director at the Board meetings, certain committee meetings and general meetings during the year is as follows:

	Attended/Eligible to attend				
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Executive Directors:					
Mr. Wang Dayong *(Chairman)*	4/4	N/A	N/A	1/1	1/1
Mr. Wang Feng *(Co-chairman)*	0/4	N/A	N/A	N/A	0/1
Mr. Lu Qi	4/4	N/A	1/1	N/A	1/1
Mr. Zhao Guangsheng	3/4	N/A	N/A	N/A	0/1
Mr. Wu Guangsheng	2/4	N/A	N/A	N/A	0/1
Mr. Zhao Bochen	3/4	N/A	N/A	N/A	0/1
Mr. Ma Boping	3/4	N/A	N/A	N/A	1/1
Mr. Sun Zhong	4/4	N/A	N/A	N/A	1/1
Independent Non-Executive Directors:					
Mr. Cao Shiping	4/4	2/2	N/A	N/A	0/1
Mr. Cao Kuangyu	3/4	1/2	1/1	1/1	0/1
Mr. Zhou Mei-Fu	1/4	N/A	N/A	N/A	0/1
Mr. Song Shaohuan	2/4	2/2	0/1	0/1	0/1

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under provision A2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang Dayong and Mr. Wang Feng are the Chairman and Co-chairman respectively while Mr. Zhao Guangsheng is the Chief executive officer.

TERMS OF NON-EXECUTIVE DIRECTORS

Under provision A4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive directors of the Company are not appointed for a specific term but all of them are subject to retirement by rotation in accordance with the Articles of Association of the Company. The Board considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those in the Code.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2014 is set out below:

Remuneration bands	Number of persons
Up to HK$1,000,000	7
HK$1,000,001 and above	—

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") on 16 December 2011 with written terms of reference which are in line with the code provisions set out in the Code. The Audit Committee meets at least twice a year for reviewing the reporting of annual and interim results and other information to the shareholders, and the effectiveness and objectivity of the audit process. Additional meetings may be held by the Audit Committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The external auditors of the Company may request a meeting if they consider that one is necessary. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors. The Audit Committee currently consists of Mr. Song Shaohuan as chairman and Mr. Cao Shiping and Mr. Cao Kuangyu as members. All of them are independent non-executive directors.

The Audit Committee is also responsible for performing the functions set out in the provision D.3.1 of the Code. The Audit Committee reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct and compliance manual (if any) applicable to employees and Directors, the compliance of the Listing Rules, and the Company's compliance with the Code and disclosure in this Corporate Governance Report.

During the year, the Audit Committee reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the annual results for the year ended 31 December 2013 and interim results for the six months ended 30 June 2014.

REMUNERATION COMMITTEE

A remuneration committee ("Remuneration Committee") of the Group was established on 16 December 2011 with written terms of reference in line with the Code. The responsibilities of the Remuneration Committee include considering and recommending to the Board the Group's remuneration policy and structure and reviewing and determining the remuneration packages of the directors and senior management. The directors were remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. Details of remunerations of the directors for the year are disclosed in note 31(a) to the financial statements.

The Remuneration Committee currently comprises two independent non-executive directors, Mr. Cao Kuangyu as chairman and Mr. Song Shaohuan, and one executive director, Mr. Lu Qi. The Remuneration Committee held one meeting during the year to review the existing remuneration policy and structure of the Company.

NOMINATION COMMITTEE

A nomination committee ("Nomination Committee") of the Group was established on 16 March 2011 with written terms of reference in line with the Code. The responsibilities of the Nomination Committee include: (i) review and recommend the structure, size, composition and skills mix of the Board at least annually; (ii) identify and nominate candidates to fill casual vacancies of directors for the Board's approval; (iii) assess the independence of independent non-executive directors; (iv) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman of the Board and the chief executives. According to the board diversity policy adopted by the Nomination Committee, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee currently comprises one executive director, Mr. Wang Dayong as chairman, and two independent non-executive directors, Mr. Cao Kuangyu and Mr. Song Shaohuan. The Nomination Committee held one meeting during the year to review the Board composition.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2014, the directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Save as disclosed in Note 3.1.1 to the financial statements, there are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

Auditors' Responsibilities and Remuneration

An analysis of remuneration in respect of services provided by the auditor, PricewaterhouseCoopers, of the Group is as follows.

	RMB'000
Annual audit services	1,181

The statement of the auditor of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 40 to 41.

INTERNAL CONTROL

During the year, the Company has adopted and reviewed the effectiveness of the Group's internal control procedures which include the policies, procedures, monitoring and communication activities and standard of behavior established for safeguarding the interests of the shareholders of the Company. The system of internal control aims to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. However, the design of the system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage, rather than eliminate, the risks of failure when business objectives are being sought.

In order to further strengthen the internal control system of the Group, the following measures are adopted:

- established three internal compliance officers, (i) Mr. Lu Qi, executive director; (ii) Mr. Zhao Guangsheng, executive director and Chief Executive Officer; and (iii) Mr. Ip Wing Wai, company secretary and chief financial officer, who will report to the Board directly on a monthly basis to ensure that operations of the Group are in compliance with applicable laws, rules and regulations, to strengthen the existing internal control framework and to recommend remedial plans to the Board should there be any internal control deficiencies; and

- engaged a PRC legal advisor to provide advice to the Board and the designated compliance officers on an ongoing basis in respect of all relevant PRC laws and regulations, including changes to such laws and regulations, which may affect business operations of the Group in the PRC.

Based on its assessment which covers all material controls including financial, operational and compliance controls and risk management functions, the Board believes that for the year ended 31 December 2014, the Company's internal control is effective. The Board is satisfied that there are adequate resources of staff with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

DIRECTORS' TRAINING

Each newly appointed director has received comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to directors at the Company's expenses whenever necessary. In-house briefings on the Listing Rules updates were organized for all directors, namely Mr. Wang Dayong, Mr. Wang Feng, Mr. Lu Qi, Mr. Zhao Guangsheng, Mr. Wu Guangsheng, Mr. Zhao Bochen, Mr. Ma Boping, Mr. Sun Zhong, Mr. Cao Shiping, Mr. Cao Kuangyu, Mr. Zhou Mei-Fu and Mr. Song Shaohuan, during the year.

COMPANY SECRETARY

During the year ended 31 December 2014, Mr. Ip Wing Wai, the Company Secretary, has taken no less than 15 hours of relevant professional training. Biographical details of Mr. Ip are set out in the section headed "Profiles of Directors and Senior Management"in this annual report.

SHAREHOLDERS' RIGHTS

The Board is endeavour to maintain an on-going dialogue with shareholders. The Company encourages the shareholders to attend the general meetings and the Chairmen of the Board and the board committees should attend the annual general meeting to answer questions.

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Investor Services Limited. For any enquiries to the Board, shareholders may send written enquiries to the Company, for the attention of company secretary, by email to enquiry@huili.hk, fax to (852) 2840 0470 or mail to 3rd Floor of No. 8 Queen's Road Central, Hong Kong.

In accordance with the requirements and procedures set out in the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. A shareholder who wishes to propose a resolution to be considered at a general meeting must requisition the convening of a general meeting in accordance with the Company's Articles of Association. The objects of the meeting must be stated in the written requisition, which must be signed by the requisitionists and deposited for the attention of the company secretary at the address stated above.

INVESTOR RELATIONS

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. To promote effective communication with the public, the Company maintains a website (www.huili.hk) on which comprehensive information about the Company's major businesses, press releases, notices, financial information, announcements, annual and interim reports and shareholders circulars are being made available.

There was no change in the Company's constitutional documents during the year ended 31 December 2014.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the shareholders of Huili Resources (Group) Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Huili Resources (Group) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 111 which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, 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 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, in accordance with our agreed terms of engagement 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.

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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 state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

We draw attention to the Note 3.1.1 of the consolidated financial statements, which states that Group incurred a consolidated net loss of approximately RMB56,858,000 and had a net operating cash outflows of approximately RMB23,552,000 during the year ended 31 December 2014. In addition, it is likely that the Group will be required to redeem its outstanding convertible bonds at HK$124,700,000 on 19 December 2015. These conditions, along with other matters as described in Note 3.1.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2015

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	104,952	107,634
Mining rights and exploration rights	8	177,363	188,245
Land use rights	9	9,585	9,828
Deferred tax assets	11	9,749	7,197
Other non-current assets	12	3,149	1,951
Available for sale financial assets	13	102,301	—
Total non-current assets		407,099	314,855
Current assets			
Inventories	14	6,283	11,369
Other receivables and prepayments	15	51,631	64,859
Cash and cash equivalents	16	72,868	223,583
Total current assets		130,782	299,811
Total assets		537,881	614,666
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	86,322	86,322
Share premium	17	416,979	416,979
Other reserves	18	(19,635)	(12,168)
Accumulated losses	19	(119,673)	(65,207)
		363,993	425,926
Non-controlling interests		4,172	6,564
Total equity		368,165	432,490

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Provision for close down, restoration and environmental costs	20	4,473	4,151
Deferred tax liabilities	11	45,241	49,008
Convertible bonds	22	—	72,503
Total non-current liabilities		49,714	125,662
Current liabilities			
Trade payables	21	1,267	1,821
Other payables and accruals	24	33,204	35,329
Income tax payable		266	266
Convertible bonds	22	84,547	—
Derivative financial instruments	23	718	19,098
Total current liabilities		120,002	56,514
Total liabilities		169,716	182,176
Total equity and liabilities		537,881	614,666
Net current assets		10,780	243,297
Total assets less current liabilities		417,879	558,152

The notes on pages 49 to 111 are an integral part of these consolidated financial statements.

The financial statements on pages 42 to 111 were approved by the Board of directors on 27 March 2015 and were signed on its behalf.

Wang Dayong
Director

Sun Zhong
Director

BALANCE SHEET

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	10	228,401	228,401
Available for sale financial assets	13	102,301	—
Total non-current assets		330,702	228,401
Current assets			
Other receivables and prepayments	15	131,870	119,560
Cash and cash equivalents	16	42,025	181,427
Total current assets		173,895	300,987
Total assets		504,597	529,388
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	17	86,322	86,322
Share premium	17	416,979	416,979
Other reserves	18	(7,467)	—
Accumulated losses	19	(78,107)	(70,898)
Total equity		417,727	432,403
LIABILITY			
Non-current liabilities			
Convertible bonds	22	—	72,503
Total non-current liabilities		—	72,503
Current liabilities			
Other payables	24	1,605	5,384
Convertible bonds	22	84,547	—
Derivative financial instruments	23	718	19,098
Total current liabilities		86,870	24,482
Total liabilities		86,870	96,985
Total equity and liabilities		504,597	529,388
Net current assets		87,025	276,505
Total assets less current liabilities		417,727	504,906

The notes on pages 49 to 111 are an integral part of these consolidated financial statements.

The financial statements on pages 42 to 111 were approved by the Board of directors on 27 March 2015 and were signed on its behalf.

Wang Dayong
Director

Sun Zhong
Director

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	6	3,504	1,097
Cost of sales	25	(25,039)	(9,024)
Gross loss		(21,535)	(7,927)
Administrative expenses	25	(47,470)	(26,687)
Other gains/(losses) — net	27	18,229	(5,608)
Operating loss		(50,776)	(40,222)
Finance income		1,155	1,103
Finance costs		(13,556)	(6,630)
Finance costs — net	28	(12,401)	(5,527)
Loss before income tax		(63,177)	(45,749)
Income tax credit/(expense)	29	6,319	(357)
Loss for the year		(56,858)	(46,106)
Loss attributable to:			
Equity holders of the Company		(54,466)	(45,376)
Non-controlling interests		(2,392)	(730)
		(56,858)	(46,106)
Loss per share attributable to the equity holders of the Company (expressed in RMB per share)			
— Basic and diluted	30	(0.054)	(0.045)

The notes on pages 49 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2014	2013
	Note	RMB'000	RMB'000
Loss for the year		(56,858)	(46,106)
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets		(7,467)	—
Other comprehensive loss for the year, net of tax		(7,467)	—
Total comprehensive loss for the year		(64,325)	(46,106)
Attributable to:			
Equity holders of the Company		(61,933)	(45,376)
Non-controlling interests		(2,392)	(730)
Total comprehensive loss for the year		(64,325)	(46,106)

The notes on pages 49 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital RMB'000 (Note 17)	Share premium RMB'000 (Note 17)	Safety funds RMB'000 (Note 18)	Maintenance funds RMB'000 (Note 18)	Capital reserve RMB'000 (Note 18)	Available for sale financial assets RMB'000 (Note 18)	Accumulated losses RMB'000 (Note 19)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	86,322	416,979	221	1,583	(13,972)	—	(19,831)	471,302	7,294	478,596
Comprehensive loss										
Loss for the year	—	—	—	—	—	—	(45,376)	(45,376)	(730)	(46,106)
At 31 December 2013	86,322	416,979	221	1,583	(13,972)	—	(65,207)	425,926	6,564	432,490
Comprehensive loss										
Loss for the year	—	—	—	—	—	—	(54,466)	(54,466)	(2,392)	(56,858)
Other comprehensive loss										
Available-for-sale financial assets	—	—	—	—	—	(7,467)	—	(7,467)	—	(7,467)
Total other comprehensive loss, net of tax	—	—	—	—	—	(7,467)	—	(7,467)	—	(7,467)
Total comprehensive loss	—	—	—	—	—	(7,467)	(54,466)	(61,933)	(2,392)	(64,325)
At 31 December 2014	86,322	416,979	221	1,583	(13,972)	(7,467)	(119,673)	363,993	4,172	368,165

The notes on pages 49 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash used in operations	32(a)	(23,552)	(19,801)
Income tax paid		—	—
Net cash used in operating activities		(23,552)	(19,801)
Cash flows from investing activities			
Investment in a fund		(109,768)	—
Acquisition of a subsidiary, net of cash acquired		—	(39,707)
Prepayment of investments	15(b)	(15,621)	—
Purchase of property, plant and equipment		(9,792)	(16,549)
Loan granted to a third party company		—	(7,958)
Loan repayment received from a third party company		7,958	—
Interest received		1,155	1,006
Net cash used in investing activities		(126,068)	(63,208)
Cash flows from financing activities			
Issue of convertible bonds		—	84,624
Repayments of bank borrowings		—	(31,305)
Decrease in restricted cash at banks secured for borrowings		—	31,169
Interest paid		(1,327)	(171)
Net cash (used in)/generated from financing activities		(1,327)	84,317
Net (decrease)/increase in cash and cash equivalents		(150,947)	1,308
Cash and cash equivalents at beginning of year		223,583	226,479
Exchange differences on cash and cash equivalents		232	(4,204)
Cash and cash equivalents at end of year	16	72,868	223,583

The notes on pages 49 to 111 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION AND REORGANIZATION

1.1 General information

Huili Resources (Group) Limited ("the Company") was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands in preparation for a listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 12 January 2012.

The Company is an investment holding company and its subsidiaries (collectively the "Group") are principally engaged in the mining, ore processing and sales of nickel, copper, lead, zinc and gold products in the People's Republic of China (the "PRC"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

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

1.2 The Reorganization

Prior to the incorporation of the Company and the completion of the Reorganization (as defined below), the operating companies, incorporated in the PRC, namely 哈密市錦華礦產資源開發有限責任公司 (Hami Jinhua Mineral Resource Exploiture Limited) ("Hami Jinhua") and 哈密市佳泰礦業資源開發有限責任公司 (Hami Jiatai Mineral Resource Exploiture Limited) ("Hami Jiatai") were held by Realty Investment (Group) Limited ("Realty Investment"). Realty Investment was held by Right Source International Limited ("Right Source") and Fortune In Investments Limited ("Fortune In"), both incorporated in the British Virgin Islands ("BVI"), with effective equity interests of 55% and 45% respectively. Right Source was 100% owned by Mr. Lu Qi, and Fortune In was held by Sky Circle and First Arrival Investments Limited ("First Arrival"), a company incorporated in the BVI, with effective equity interests of 65% and 35% respectively. Sky Circle and First Arrival were 100% owned by Mr. Wang Dayong.

In preparation for the Listing, the Company underwent a group reorganization (the "Reorganization"), pursuant to which the companies comprising the Group were transferred to the Company. The Reorganization mainly involved the following:

(i) On 4 January 2010, King Award was established in the BVI and one share of US$1.00 in the share capital of King Award was allotted and issued to Mr. Lu Qi on 3 February 2010;

(ii) On 19 February 2010, the Company was incorporated in the Cayman Islands with one subscriber share of HK$0.10 in the share capital of the Company, which was transferred to Sky Circle on the same date;

(iii) On 23 March 2010, First Arrival transferred its 35% shareholding in Fortune In to Sky Circle at nil consideration;

1 GENERAL INFORMATION AND REORGANIZATION (Continued)

1.2 The Reorganization (Continued)

(iv) On 24 March 2010, Mr. Lu Qi transferred the entire issued share capital of Right Source to the Company and released Sky Circle from its obligation to repay a RMB45 million loan, and against Sky Circle assigning the benefit of the loan (due to it from Fortune In) in the amount of RMB45 million (as outlined in paragraph (v) below), the Company issued 5,500 shares of HK$0.10 to King Award for the amount of HK$50,329,753 (being the amount of HK$50.35 million (representing the HK$ equivalent of RMB45 million) plus the unaudited shareholder's deficit of Right Source of HK$(20,247)) and King Award issued one new share at an amount equal to HK$50,329,753 to Mr. Lu Qi;

(v) On 24 March 2010, Sky Circle transferred the entire issued share capital of Fortune In and assigned a RMB90 million loan (a part of it is the RMB45 million loan referred to in paragraph (iv) above and the remaining of it was lent by Mr. Wang Dayong through Sky Circle to Fortune In) to the Company and, in consideration therefore (i) the Company issued 4,499 shares of HK$0.10 for the amount of HK$50,333,118 (being the amount of HK$50.35 million (representing the HK$ equivalent of RMB45 million) plus the unaudited shareholder's deficit of Fortune In of HK$(16,882)) to Sky Circle (and such 4,499 shares, together with the one share that Sky Circle already held (as referred to in paragraph (ii) above), represented 45% of the then enlarged share capital); and (ii) the Company (at the direction of Sky Circle) issued 5,500 shares to King Award as referred to in paragraph (iv) above.

Upon completion of the Reorganization, the Company became the holding company of the Group.

(vi) On 18 May 2010, the Company increased its authorized share capital to HK$500,000,000 divided into 5,000,000,000 ordinary shares of HK$0.10 each. The Company capitalized an amount of HK$71,249,000 (equivalent to RMB62,692,000) of its share premium and issued, on a pro rata basis, 391,869,500 shares to King Award and 320,620,500 Shares to Sky Circle on the same day.

2 BASIS OF PRESENTATION

In light of the fact that the Company obtained control of the companies comprising the Group by issuing its own shares in exchange for shares of Right Source and Fortune In; the assets and liabilities of the companies comprising the Group are the same immediately before and after the Reorganization; and the ultimate shareholders before the Reorganization have the same absolute and relative interests in the net assets of the companies comprising the Group immediately before and after the Reorganization, the financial statements are presented using predecessor value accounting in a manner similar to the uniting of interests method. Under predecessor value accounting, the financial statements consolidate the results and the carrying amounts of assets and liabilities of the companies comprising the Group as if the Group had always been existed. A single uniform set of accounting policies is adopted by all group companies.

In the Company's balance sheet, the deemed cost of investment in subsidiaries recognized upon the Reorganization is the existing book values of net assets of the group companies comprising the Group as at the date of Reorganization.

Inter-company transactions, balances and unrealised gains or losses on transactions between group companies have been eliminated upon consolidation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied for each of the years ended 31 December 2013 and 2014, unless otherwise stated.

3.1 Basis of preparation

The consolidated financial statements of the Company 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 and financial liabilities (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 5.

3.1.1 Going concern

During the year ended 31 December 2014, the Group incurred a loss of approximately RMB56,858,000 and had a net operating cash outflows of approximately RMB23,552,000 due to the suspension of operation in the Group.

On 19 December 2013, the Company issued convertible bonds with an original principal amount of HK$107,500,000 to a third party, ACE AXIS Limited. Based on the current share price of the Company, management estimated that it is unlikely that the convertible bonds will be converted into ordinary shares upon the scheduled maturity date of the convertible bonds on 19 December 2015 (the "Maturity Date"), such that these bonds might need to be redeemed by the Company at HK$124,700,000 (equivalent to RMB98,376,000) on the Maturity Date. The cash and cash equivalents of the Group amounted to RMB72,868,000 as at 31 December 2014, and with an anticipated operating cash outflows for the year ending 31 December 2015, management estimated that there would be a significant shortage of funds to honour the redemption obligations of the convertible bonds if no additional financial resources are available to the Group.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

3.1.1 Going concern (Continued)

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern, and have taken the following measures to mitigate the liquidity pressure and to improve its financial position.

On 26 March 2015, the Company entered into an agreement with ACE AXIS Limited and State Right Rui Xi Investment Fund Management Limited, the General Partner of CRRI State Right Investment Fund L.P. (the "Fund"). Pursuant to this agreement, ACE AXIS Limited has the discretion to subscribe for new convertible bonds or corporate bonds to be issued by the Company in the principal amount of HK$124,700,000 with a term of two years. Furthermore, State Right Rui Xi Investment Fund Management Limited has the right to purchase, or find a purchaser to purchase, the entire partnership interests held by the Company in the Fund (or a portion thereof) for a consideration of not less than HK$139,500,000 (to be adjusted on a pro rata basis if only a portion of such interests are purchased). Otherwise, these parties shall further negotiate with the Company in order to try to reach an alternative agreement in relation to redemption of the existing convertible bonds before the Maturity Date. In addition, it is also agreed in the said agreement that if ACE AXIS Limited decides to proceed with the subscription of the new convertible bonds or corporate bonds, the subscription proceeds to be paid by ACE AXIS Limited shall be used to offset against the Company's redemption liability of HK$124,700,000.

The directors have reviewed the Group's cash flow projections, which cover a period of a twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned planned financing arrangements, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as at when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the commitments and financial capability of ACE AXIS Limited and State Right Rui Xi Investment Fund Management Limited to provide fundings to the Group as stated in the above-mentioned agreement before the Maturity Date of the existing convertible bonds. Should the Group be unable to achieve the above plans such that it would not be able to operate as a going concern, adjustments would have to be made to reduce the carrying value of the Group's assets to their recoverable amounts, to provide for any future liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

3.1.2 Changes in accounting policy and disclosures

(a) New and amended standards, mandatory for the first time for the financial year beginning 1 January 2014 but are not currently relevant to the Group (although they may affect the accounting for future transactions and events).

Amendment to HKAS 32 "Financial instruments: Presentation"on asset and liability offsetting, clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Amendments to HKFRS 10, 12 and HKAS 27 "Consolidation for investment entities", means that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an "investment entity" definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make.

Amendment to HKAS 36 "Impairment of assets" on recoverable amount disclosures, addresses the disclosure 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"- 'Novation of derivatives, provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HK(IFRIC) 21 "Levies", is an interpretation of HKAS 37, "Provisions, contingent liabilities and contingent assets". HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

3.1.2 Changes in accounting policy and disclosures (Continued)

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted.

	Applicable for accounting periods beginning on/after
Amendment to HKAS19 regarding defined benefit plans: employee contributions	1 July 2014
Annual improvements 2012	
—HKFRS8, "Operating segments"	1 July 2014
—HKAS16, "Property, plant and equipment"	1 July 2014
—HKAS38, "Intangible assets"	1 July 2014
—HKAS 24, "Related Party Disclosures"	1 July 2014
Annual improvements 2013	
—HKFRS3, "Business combinations"	1 July 2014
—HKFRS13, "Fair value measurement"	1 July 2014
—HKAS40, "Investment property"	1 July 2014
HKFRS 14 "Regulatory Deferral Accounts"	1 January 2016
Amendment to HKFRS 11 on accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41 on Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28 on sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to IAS/HKAS 27 on equity method in separate financial statements	1 January 2016
Annual improvements 2014	
— HKFRS 5, "Non-current assets held for sale and discontinued operations"	1 January 2016
— HKFRS 7, "Financial instruments: Disclosures"	1 January 2016
— HKAS 19, "Employee benefits"	1 January 2016
— HKAS 34, "Interim financial reporting"	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 on investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1 for the disclosure initiative	1 January 2016
HKFRS15 "Revenue from Contracts with Customers"	1 January 2017
HKFRS 9 "Financial Instruments"	1 January 2018

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

3.1.2 Changes in accounting policy and disclosures (Continued)

(c) New Company Ordinance

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.

3.2 Subsidiaries

3.2.1 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 except for the Reorganization. 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.

Acquisition-related costs are expensed as incurred.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries (Continued)

3.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

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 loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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 dividends 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.

3.3 Segment reporting

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

3.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group 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, which is the Company's functional and Group's presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Foreign currency translation (Continued)

(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 income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance cost — net". All other foreign exchange gains and losses are presented in the income statement within "other gains/ (losses) — net".

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

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 the income statement.

(c) Group companies

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of buildings, machinery and equipment, office equipment and others, and motor vehicles is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Machinery and equipment	10 years
Office equipment and others	3 to 7 years
Motor vehicles	4 to 6 years

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

Mining structures comprise the main and auxiliary mine shafts and underground tunnels. Depreciation of mining structures is provided to write off the cost of the mining structure using the unit-of-production method. Unit-of-production rate is based on reserves estimated to be recovered from existing facilities using current operating methods.

Construction in progress represents mining structure on which construction work has not been completed. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost. No depreciation is provided for construction in progress until they are completed and available for use.

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 3.9).

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Goodwill

Goodwill arises on the acquisition of subsidiaries represents 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 identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3.7 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land and expenditure that is directly attributable to the acquisition. Amortisation of land use rights is calculated on a straight-line basis over its useful lives.

3.8 Mining rights and exploration rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Amortisation of mining rights is calculated to write off the cost less accumulated impairment losses over useful lives of the mines in accordance with the production plans and proved reserves of the mines on the unit-of-production method.

Exploration rights are stated at cost less impairment losses if any. When it can be reasonably ascertained that exploration rights are capable of commercial production, exploration rights are transferred to mining rights which are subject to amortisation using unit-of-production method.

3.9 Impairment of non-financial assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial assets

3.10.1 Classification

The group classifies its financial assets in the following categories: 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. These are classified as non-current assets. The group's loans and receivables comprise "other receivables" and "cash and cash equivalents" in the balance sheet (Notes 3.13 and 3.14).

(b) 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.

3.10.2 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 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 are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

3.10.3 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 a group of financial assets that can be reliably estimated.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial assets (Continued)

3.10.3 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 income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

(b) Assets classified as available for sale

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, or using valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

For derivative financial instruments which do not qualify for hedge accounting, changes in fair value are recognised immediately in profit or loss.

3.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and semi-finished goods comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The amount of fixed overhead allocated to each unit of production is based on normal operating capacity. Unallocated overheads resulted from low production or idle plant are recognised as cost of sales in the period in which they are incurred. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.13 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

3.14 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.

3.15 Share capital

Ordinary shares are classified as equity.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Trade payables

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

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

3.17 Borrowings and borrowing costs

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

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

The loans from shareholders, which are interest-free and repayable under the control of the Group, are accounted for as quasi-equity loans and classified as equity.

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

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

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

3.18 Convertible bonds

Convertible bonds denominated in the functional currency of the issuing entity are accounted for as compound instruments. The equity components and the liability components are separated out on the date of the issue. The equity component is recognised in a separate reserve and is not subsequently remeasured. The liability component is measured at amortised cost. The interest expense on the liability component is calculated by applying the effective interest rate, being the prevailing market interest rate for similar non-convertible debt. The difference between this amount and interest paid is added to the carrying amount of the liability component.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Convertible bonds (Continued)

Convertible bonds not denominated in the functional currency of the issuing entity are split into two components: a debt component and a component representing the embedded derivative in the convertible bonds. The debt component represents a liability for future coupon payments and the redemption on the principal amount. The embedded derivatives, financial liability, represent the value of the option that bondholders have to convert into ordinary shares. At inception the embedded derivative is recorded at fair value and the remaining balance, after deducting a share of issue costs is recorded as the debt component. Subsequently, the debt component is measured at amortised cost and the embedded derivative is measured at fair value at each balance sheet dates with the change in the fair value recognised in the income statement.

3.19 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Current and deferred income tax (Continued)

(b) *Deferred income tax (Continued)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income 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.

3.20 Employee benefits

(a) *Pension obligations*

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the group pays contributions to publicly administered pension insurance plans on a mandatory basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(b) *Housing benefits*

The full-time 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 salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Provisions

Provisions for environmental restoration, restructuring costs and legal claims 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. Provisions are not recognised for future operating losses.

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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest 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.

3.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity 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

Sales of goods are recognised when a Group entity has delivered products and transferred the significant risks and rewards of ownership of the product to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

3.23 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Operating leases

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

3.25 Dividend distribution

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

3.26 Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises 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 and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs 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 property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the income statement.

3.27 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, commodity price risk, interest rate risk), credit risk and liquidity risk. The Group historically has not used derivative instruments for hedging or trading purposes.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars. Foreign exchange risk arises from recognised assets and liabilities in foreign operations. The Group does not hedge against any fluctuation in foreign currency.

At 31 December 2014, if RMB had weakened/strengthened by 1% against Hong Kong dollar with all other variables held constant, loss for the year would have been approximately RMB1,209,000 (2013: RMB1,328,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollars denominated cash and borrowings.

(ii) Price risk

The Group is principally engaged in the mining, ore processing and sales of nickel, copper, lead, zinc, gold and other non-ferrous metal products. Non-ferrous metal markets are influenced by global as well as regional supply and demand conditions. A decline in prices of non-ferrous metal could adversely affect the Group's financial performance.

The Group is also exposed to price risk for its investment in available for sale financial assets (Note 13).

(iii) Interest rate risk

The Group's interest rate risk arises from bank deposits which are bearing floating interest rates. Floating interest rates cause the Group cash flow interest rate risk. The Group also had convertible bonds bearing fixed interest rate which expose the Group to fair value risk. For the years ended 31 December 2013 and 31 December 2014, management of the Group is of the opinion that relevant risks were not material to the Group.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

The carrying amounts of deposits and receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. Management of the Group is of the opinion that adequate provision for uncollectible other receivables has been made as at 31 December 2013 and 2014 after considering the Group's historical experience in collection of other receivables.

(c) Liquidity risk

The Group obtained funds through initial public offering of the Company's shares, borrowings from financial institutions and issuing of convertible bonds.

The table below analyses the Group's financial liabilities that will be settled 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 are the contractual undiscounted cash flows.

The Group

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2014				
Trade and other payables	23,093	—	—	—
Convertible bonds	100,435	—	—	—
At 31 December 2013				
Trade and other payables	30,933	—	—	—
Convertible bonds	—	84,517	—	—

The Company

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2014				
Other payables	1,183	—	—	—
Convertible bonds	100,435	—	—	—
At 31 December 2013				
Other payables	5,384	—	—	—
Convertible bonds	—	84,517	—	—

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(d) *Concentration risk*

Revenue of the Group is principally derived from three non-ferrous metal mines. Any disruption to the operations of these mines may have a material adverse impact on the results of operations and the financial position of the Group.

There was no production for the year ended 31 December 2013 and 2014. The sales of concentrates produced during previous years of the Group in general are concentrated on a few major customers. In the event that these major customers terminate the 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.

For the year ended 31 December 2014, all the revenues of the Group were derived from two customers (2013: one). These revenues were mainly attributable to nickel metal products.

4.2 Capital management

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

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

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

The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 RMB'000	2013 RMB'000
Total borrowings (Note 22)	84,547	72,503
Less: cash and cash equivalents (Note 16)	(72,868)	(223,583)
Net debt/(cash)	11,679	(151,080)
Total equity	368,165	432,490
Total capital	379,844	281,410
Gearing ratio	3.07%	Not applicable

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation

The table below analyses the group's financial instruments carried at fair value as at 31 December 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- 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 following table presents the group's assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Available-for-sale financial assets				
Equity investment				
— Investment in a fund (Note 13)	—	—	102,301	102,301
Total assets	—	—	102,301	102,301
Liabilities				
Financial liabilities at fair value				
through profit or loss				
— Derivative financial instruments (Note 23)	—	—	718	718
Total liabilities	—	—	718	718

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivative financial instruments	—	—	19,098	19,098
Total liabilities	—	—	19,098	19,098

The following table presents the changes in level 3 instruments for the year ended 31 December 2014.

	Available-for-sale financial assets RMB'000	Derivative at fair value through profit or loss RMB'000	Total RMB'000
Opening balance	—	19,098	19,098
Additions	109,768	—	109,768
Gains recognised in profit or loss (Note 27)	—	(18,380)	(18,380)
Losses recognised in other comprehensive income	(7,467)	—	(7,467)
Closing balance	102,301	718	103,019
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Other gains/(losses) — net"	—	18,380	18,380
Changes in unrealised gains or losses for the year included in profit or loss at the end of the year	—	18,380	18,380
Changes in unrealised gains or losses for the year included in other comprehensive income	(7,467)	—	(7,467)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2013.

	Derivative at fair value through profit or loss RMB'000
Opening balance	—
Addition	12,407
Losses recognised in profit or loss (Note 27)	6,691
Closing balance	19,098
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Other gains/(losses) — net"	(6,691)
Changes in unrealised gains or losses for the year included in profit or loss at the end of the year	(6,691)

The fair value of available-for-sale financial assets was determined based on information available to the management regarding the investment portfolio, investment percentage and operating results.

The fair value of derivative financial instruments was determined based on spot price, risk free rates, expected volatility and expected dividend yield using binomial model.

For fair value measurements categorised within Level 3 of the fair value hierarchy, the significant quantitative unobservable inputs used are as follows.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31/12/2014	Valuation technique	Unobservable input	inputs
Available-for-sale financial assets	102,301	Net asset value	Not applicable	Not applicable
Derivative financial instruments	718	binomial model	Risk free rates	0.13%
			Expected volatility	36%
			Expected dividend yield	0%

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Carrying value of non-current assets

The Group tests whether property, plant and equipment, land use rights, mining rights and exploration rights have been impaired due to events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount, in accordance with accounting policies stated in Note 3.9. As at 31 December 2014, there was impairment charge of approximately RMB14 million on nickel/copper mining rights and related mining structures of the segment of Hami Jiatai (Notes 7, 8). And there was no impairment for other property, plant and equipment, land use rights, mining rights and exploration rights. The recoverable amounts of different cash generating units to which the property, plant and equipment, land use rights, mining rights and exploration rights belong, have been determined based on value-in-use calculations using cash flow projections, based on financial budgets approved by management covering a five year period and management's assumptions and estimates including forecast of selling price of nickel, copper, lead, zinc and gold, discount rates, time to restart production and inflation rate. Cash flows beyond the five-year period are assumed to be equal to the cash flow of year 2019 for cash generating units. The discount rates used in cash flow projections varied with different cash generating units.

(b) 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 are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Mineral reserves

Engineering estimates of the Group's mineral reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information.

There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proved" and "probable". Proved and probable mineral reserve estimates are updated at regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mineral reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment losses. Depreciation rates are determined based on estimated proved mineral reserve quantity (the denominator) and capitalised costs of mining structures (the numerator). The capitalised cost of mining structures is amortised based on the units of products produced.

(d) Income tax

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

(e) Mining licenses

The Group's mining licenses expire at various dates from January 2016 to September 2021. Management believes that the Group will be able to renew these licenses at their option and at minimal cost, provided the Group complies with the terms of the licenses. The useful life of some of the Group's tangible and intangible assets would be reduced and the Group's operation results would be affected accordingly if any licenses could not be renewed.

(f) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data such as share price and risk-free interest rate where it is available and rely as little as possible on entity specific estimates.

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Group's chief operating decision maker ("CODM") that are used to make strategic decisions. The CODM has been identified as the Company's Board of directors.

The CODM reviews the operating performance from a mine perspective (ie nickel/copper mine, lead/zinc mine and gold mine). The reportable operating segments derive their revenue primarily from mining, ore processing and sales of nickel, copper, lead, zinc and gold products.

For each of the years ended 31 December 2013 and 2014, the Group had three (note a, b and c) reportable segments respectively:

(a) Hami Jiatai which held two nickel/copper mines and was mainly engaged in the mining, ore processing and sales of nickel and copper products;

(b) Hami Jinhua which held a lead/zinc mine and was mainly engaged in the mining, ore processing and sales of lead and zinc products; and

(c) Shaanxi Jiahe Mineral Resources Development Co. Ltd. ("Shaanxi Jiahe") which held a gold mine and was mainly engaged in the mining, ore processing and sales of gold products.

Apart from the three reportable segments, other activities of the Group were mainly investment holdings which are not considered as an operating segment and therefore grouped as "Unallocated" for the purpose of financial statements disclosures.

The CODM assesses the performance of the operating segments based on operating profit, excluding the effects of non-recurring impairments of mining rights and property, plant and equipment when the impairment is the result of an isolated, non-recurring event. The measure of operating profit for segment review also excludes unrealised gains/losses on financial instruments. Interest income and expenditure at the level of Group are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

6 SEGMENT INFORMATION (Continued)

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

	2014				2013			
	Shaanxi Jiahe RMB'000	Hami Jiatai RMB'000	Hami Jinhua RMB'000	Total RMB'000	Shaanxi Jiahe RMB'000	Hami Jiatai RMB'000	Hami Jinhua RMB'000	Total RMB'000
Year ended 31 December								
Segment revenue								
— Nickel concentrate	—	365	2,527	2,892	—	—	—	—
— Copper concentrate	—	—	—	—	—	—	1,097	1,097
— Zinc concentrate	—	—	—	—	—	—	—	—
— Lead concentrate	—	—	—	—	—	—	—	—
— Others	—	—	612	612	—	—	—	—
	—	365	3,139	3,504	—	—	1,097	1,097
Segment operating loss	(1,143)	(43,877)	(9,010)	(54,030)	(907)	(4,537)	(8,615)	(14,059)
Unallocated operating gains/(losses) (note (a))	—	—	—	3,254	—	—	—	(26,163)
Operating loss	(1,143)	(43,877)	(9,010)	(50,776)	(907)	(4,537)	(8,615)	(40,222)
Segment finance costs — net	145	22	(24)	143	69	129	(11)	187
Unallocated	—	—	—	12,258	—	—	—	5,340
Finance costs/(income) — net	145	22	(24)	12,401	69	129	(11)	5,527
Income tax credit/(expense)	—	8,303	(1,984)	6,319	—	(1,450)	1,093	(357)
Amortisation	—	80	163	243	—	80	163	243
Segment depreciation	2	2,423	2,638	5,063	1	2,787	2,541	5,329
Unallocated	—	—	—	6	—	—	—	1
Depreciation	2	2,423	2,638	5069	1	2,787	2,541	5,330
Segment impairment								
— Non-current assets	—	14,000	—	14,000	—	—	—	—
— Other receivables	—	23,500	1,500	25,000	—	—	—	—
Impairment	—	37,500	1,500	39,000	—	—	—	—
As at 31 December								
Segment assets	90,332	83,496	167,152	340,980	85,961	116,306	180,299	382,566
Unallocated assets (note (b))	—	—	—	196,901	—	—	—	232,100
Total	90,332	83,496	167,152	537,881	85,961	116,306	180,299	614,666
Segment liabilities	35,196	25,590	21,940	82,726	32,936	29,034	23,086	85,056
Unallocated liabilities (note (c))	—	—	—	86,990	—	—	—	97,120
Total	35,196	25,590	21,940	169,716	32,936	29,034	23,086	182,176

6 SEGMENT INFORMATION (Continued)

Notes:

(a) Unallocated operating gains mainly represented fair value gains on derivative financial instruments and administrative and consulting expenses incurred by the Company and Realty Investment for the year ended 31 December 2014 and unallocated operating losses mainly represented administrative and consulting expenses incurred by the Company and Realty Investment and fair value losses on derivative financial instruments for the year ended 31 December 2013.

(b) Unallocated assets as at 31 December 2014 mainly represented by the available for sale financial assets and the bank deposits held by the Company and Realty Investment; unallocated assets as at 31 December 2013 mainly represented by the bank deposits held by the Company and Realty Investment.

(c) Unallocated liabilities as at 31 December 2013 and 2014 mainly represented by convertible bonds and derivative financial instruments held by the Company.

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Office equipment and others RMB'000	Motor vehicles RMB'000	Mining structures RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2013							
Opening net book amount	26,534	17,259	15	224	13,335	30,202	87,569
Acquisition of a subsidiary	—	—	—	—	—	12,685	12,685
Additions	470	735	30	—	—	18,386	19,621
Depreciation (note (a))	(1,801)	(3,398)	(26)	—	(105)	—	(5,330)
Disposals	—	—	—	—	—	(6,911)	(6,911)
Closing net book amount	25,203	14,596	19	224	13,230	54,362	107,634
At 31 December 2013							
Cost	35,281	33,237	494	6,969	14,393	54,362	144,736
Accumulated depreciation	(10,078)	(18,641)	(475)	(6,745)	(1,163)	—	(37,102)
Net book amount	25,203	14,596	19	224	13,230	54,362	107,634
Year ended 31 December 2014							
Opening net book amount	25,203	14,596	19	224	13,230	54,362	107,634
Additions	—	13	22	—	—	5,470	5,505
Depreciation (note (a))	(1,792)	(3,184)	(29)	—	(64)	—	(5,069)
Impairment charge (Note 25)	—	—	—	—	(3,118)	—	(3,118)
Closing net book amount	23,411	11,425	12	224	10,048	59,832	104,952
At 31 December 2014							
Cost	35,281	33,250	516	6,969	14,393	59,832	150,241
Accumulated depreciation	(11,870)	(21,825)	(504)	(6,745)	(1,227)	—	(42,171)
Impairment charge (note (b), Note 25)	—	—	—	—	(3,118)	—	(3,118)
Net book amount	23,411	11,425	12	224	10,048	59,832	104,952

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) Depreciation of property, plant and equipment has been charged to cost of sales , administrative expenses, and construction in progress as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Total depreciation	5,069	5,330
Less: capitalised depreciation in construction in progress	(657)	(602)
	4,412	4,728
Administrative expenses (Note 25)	29	47
Cost of sales (Note 25)	4,383	4,681
	4,412	4,728

(b) Impairment assessment

Hami Jiatai

As a result of the continuous depression in the copper and nickel product market which is the main business engaged in Hami Jiatai, management had decided to postpone the commencement of Hami Jiatai's operations since 2009. During the year ended in 31 December 2014, there is a collapse in the mining area that Hami Jiatai operates, and significant improvement in mining structure and equipment would be necessary for restart of operation. As at 31 December 2014, management appointed an independent valuer to carry out a review of the recoverable amount of its assets in the mining rights, land use rights, properties, plants and equipments. The review has resulted in the recognition of impairment losses on mining structure and mining rights of Hami Jiatai of RMB3,118,000 and RMB10,882,000 respectively (Notes 7, 8), which has been recognised in cost of sales.

The recoverable amount is determined based on the value-in-use calculation using cash flow projections, based on financial budgets approved by management covering a five year period and management's assumptions and estimates including forecast of selling price of nickel, copper, discount rates, time to restart production and inflation rate on the cash generating unit for the segment of Hami Jiatai. The discount rate used in measuring value-in-use was 18.9%, which is pre-tax and reflects the specific risk relating to the business. The price of nickel/copper used is derived from the forecast of Bloomberg. The production is expected to restart in 2017. And 3% is adopted as inflation rate (Note 8(c)). Management also performed sensitivity analysis for the segment of Hami Jiatai of property, plant and equipment together with mining right. If the sales price applied to the cashflow projection is 1% higher/lower or discount rate used is 1% lower/higher, impairment charge for the year would have been approximately RMB2,978,000 lower/higher and RMB3,756,000 lower/RMB4,114,000 higher.

8 MINING RIGHTS AND EXPLORATION RIGHTS

The Group

	2014			2013		
	Mining rights RMB'000	Exploration rights RMB'000 note (a)	Total RMB'000	Mining rights RMB'000	Exploration rights RMB'000	Total RMB'000
Year ended 31 December (note (a))						
Opening net book amount	140,117	48,128	188,245	129,711	—	129,711
Acquisition of a subsidiary	—	—	—	10,406	48,128	58,534
Amortisation charge (note (b))	—	—	—	—	—	—
Impairment charge (note (c), Note 25)	(10,882)	—	(10,882)	—	—	—
Closing net book amount	129,235	48,128	177,363	140,117	48,128	188,245
At 31 December						
Cost	143,929	48,128	192,057	143,929	48,128	192,057
Accumulated amortization	(3,812)	—	(3,812)	(3,812)	—	(3,812)
Impairment charge (note (c), Note 25)	(10,882)	—	(10,882)	—	—	—
Net book amount	129,235	48,128	177,363	140,117	48,128	188,245

Notes:

(a) The title of the exploration rights is under the name of Shaanxi Jiatai. The conversion from exploration rights to mining rights and the transfer of title from Shaanxi Jiatai to Shaanxi Jiahe were still in progress as at 31 December 2014. The Company obtained control over the exploration rights pursuant to a supplementary agreement of the original equity purchase agreement.

(b) There was no amortization for the year ended 31 December 2013 and 2014 as no ore was mined.

(c) Impairment assessment

As at 31 December 2014, management carried out a review of the recoverable of its assets in the mining rights, land use rights, properties, plants and equipments. The review has resulted in the recognition of impairment losses on mining rights of Hami Jiatai of RMB10,882,000. (Note 7(b)). For the exploration rights which are not subject to amortisation, management carried out impairment testing annually.

8 MINING RIGHTS AND EXPLORATION RIGHTS (Continued)

For each of the segment the key assumptions for impairment review using value-in-use model, including selling price, time to restart production, inflation rate and discount rate used in the value-in-use calculations in 2014, are as follows. The assumptions are based on financial budgets approved by management for five years form 2015 to 2019.

	Hami Jinhua	Hami Jiatai	Shanxi Jiahe
VAT included selling price for			
— nickel		111,719~143,689	
— copper		41,584~53,096	
— lead	13,456~14,635		
— zinc	14,201~16,137		
— gold			240~300
Time to restart production	2016	2017	2017
Inflation rate	3%	3%	3%
Pre-tax discount rate	24.20%	18.90%	16.70%

For each of the segment the key assumptions, selling price, time to restart production, inflation rate and discount rate used in the value-in-use calculations in 2013 are as follows.

	Hami Jinhua	Hami Jiatai	Shanxi Jiahe
VAT included selling price for			
— nickel		100,000~161,051	
— copper		48,000~55,566	
— lead	14,280~15,766		
— zinc	15,756~16,233		
— gold			243~251
Time to restart production	2014	2015	2015
Inflation rate	3%	3%	3%
Pre-tax discount rate	18.90%	18.90%	18.90%

9 LAND USE RIGHTS

The Group

In Mainland China with remaining land use rights periods ranging from 39 to 42 years as at 31 December 2014:

	2014 RMB'000	2013 RMB'000
Year ended 31 December		
Opening net book amount	9,828	10,071
Amortisation charge (Note 25)	(243)	(243)
Closing net book amount	9,585	9,828
At 31 December		
Cost	11,136	11,136
Accumulated amortization	(1,551)	(1,308)
Net book amount	9,585	9,828

10 INTERESTS IN SUBSIDIARIES

The Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Unlisted investments, at cost (note (a))	17,328	17,328
Loan receivable from Right Source (note (b))	62,923	62,923
Loan receivable from Fortune In (note (b))	90,000	90,000
Loan receivable from Realty Investment (note (b))	50,000	50,000
Loan receivable from Surplus Plan Limited (note (b))	8,150	8,150
Total	228,401	228,401

Notes:

(a) The balance represented the difference between the existing book values of net assets of the group companies comprising the Group as at the date of Reorganization amounting to RMB17,328,000 which was recognized as the deemed cost of investment in subsidiaries upon the Reorganization and the share capital of Right Source and Fortune In.

(b) The balances are receivable from Right Source, Fortune In, Realty Investment and Surplus Plan Limited ("Surplus Plan"), interest free and unsecured, and the Company does not plan to withdraw these borrowings in the foreseeable future.

10 INTERESTS IN SUBSIDIARIES (Continued)

The Company (Continued)

Notes: (Continued)

(c) As at 31 December 2013 and 2014, the Company had direct or indirect interests in the following subsidiaries:

Company name	Country/place of incorporation	Issued and paid-up capital/ registered capital	Interest held	Principal activities and place of operation
Right Source	The BVI	US$100	100% directly held	Investment holdings, the BVI
Fortune In	The BVI	HK$100	100% directly held	Investment holdings, the BVI
Surplus Plan	Hong Kong	HK$1	100% directly held	Investment holdings, Hong Kong
Realty Investment	Hong Kong	HK$100	100% indirectly held	Investment holdings, Hong Kong
滙力潤策投資諮詢(北京)有限公司 (Huili Runce Investment Consultation (Beijing) Limited)* ("Huili Runce")	Beijing, the PRC	HK$10,000,000	100% indirectly held	Management and investment consultation, the PRC
哈密市錦華礦產資源開發有限責任公司 (Hami Jinhua Mineral Resource Exploiture Limited)*	Hami, the PRC	RMB100,000,000	95% indirectly held	Mining, ore processing and sales of lead and zinc metal products, the PRC
哈密市佳泰礦產資源開發有限責任公司 (Hami Jiatai Mineral Resource Exploiture Limited)*	Hami, the PRC	RMB10,000,000	95% indirectly held	Mining, ore processing and sales of nickel and copper metal products, the PRC
陝西佳合礦業開發有限公司 (Shaanxi Jiahe Mineral Exploiture Limited)* ("Shaanxi Jiahe")	Ankang, the PRC	RMB10,000,000	95% indirectly held	Mining, ore processing and sales of gold products, the PRC

* The English names of certain companies referred herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

11 DEFERRED INCOME TAX

The Group

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	(9,749)	(7,197)
— Deferred tax asset to be recovered within 12 months	—	—
	(9,749)	(7,197)
Deferred tax liabilities:		
— Deferred tax liability to be recovered after more than 12 months	45,241	49,008
— Deferred tax liability to be recovered within 12 months	—	—
	45,241	41,811
Deferred tax liabilities — net	35,492	41,811

The gross movements on the deferred income tax account are as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
At beginning of year	41,811	27,132
Acquisition of a subsidiary	—	14,322
(Credited)/charged to the income statement (Note 29)	(6,319)	357
At end of year	35,492	41,811

11 DEFERRED INCOME TAX (Continued)

The Group (Continued)

The movements in deferred tax assets and liabilities for each of the years ended 31 December 2013 and 2014, without taking into consideration of the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Depreciation and others RMB'000	Tax losses RMB'000	Provisions and accruals RMB'000	Total RMB'000
At 1 January 2013	(2,543)	(2,136)	(2,929)	(7,608)
Charged/(credited) to the income statement	360	(2,039)	2,090	411
At 31 December 2013	(2,183)	(4,175)	(839)	(7,197)
At 1 January 2014	(2,183)	(4,175)	(839)	(7,197)
(Credited)/charged to the income statement	(477)	4,175	(6,250)	(2,552)
At 31 December 2014	(2,660)	—	(7,089)	(9,749)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. No deferred income tax assets were recognised for tax losses as at 31 December 2014 as there is uncertainty on whether the unused tax losses can be utilised in the future.

The Group did not recognise deferred income tax assets of RMB7,109,000 (2013: RMB920,000) in respect of losses amounting to RMB28,436,000 (2013: RMB3,680,000), and the expiry dates are as follows.

	As at 31 December	
	2014	2013
expiry date		
2014	—	133,000
2015	120,000	120,000
2016	1,255,000	2,068,000
2017	8,766,000	—
2018	6,546,000	1,359,000
2019	11,749,000	—
Total	28,436,000	3,680,000

11 DEFERRED INCOME TAX (Continued)

The Group (Continued)

Deferred tax liabilities

	Valuation surplus of mining rights, exploration rights and land use rights upon business combination RMB'000
At 1 January 2013	34,740
Acquisition of a subsidiary	14,322
Credited to the income statement	(54)
At 31 December 2013	49,008
At 1 January 2014	49,008
Acquisition of a subsidiary	—
Credited to the income statement	(3,767)
At 31 December 2014	45,241

12 OTHER NON-CURRENT ASSETS

The Group

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Restricted cash at banks	2,800	1,951
Others	349	—
	3,149	1,951

Restricted cash at banks represented the guarantee deposits for environmental recovery.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group and the Company

	2014 RMB'000	2013 RMB'000
At 1 January	—	—
Additions	109,768	—
Net loss transfer to equity	(7,467)	—
At 31 December	102,301	—

Available-for-sale financial assets include the following:

	2014 RMB'000	2013 RMB'000
Equity investment		
— Invest in a fund	102,301	—

(a) On 29 January 2014, the Company entered into the subscription agreement and acceded to the Limited Partnership Agreement, pursuant to which the Company agreed to subscribe for Class B Limited Partnership Interests with a total capital commitment of not more than US$18 million (equivalent to HK$139.5 million), representing approximately 13.95% of the targeted total capital commitment of HK$1,000 million, in the Fund which is a limited partnership focusing on mining and natural resources industries, which had subscribed the convertible bonds of HK$107,500,000 issued by the Company on 19 December 2013, through its wholly owned special purpose vehicle ("ACE AXIS Limited") (Note 22, 23). The company had paid HK$ 139,500,000 (equivalent to RMB109,768,000) to the fund till 31 December 2014.

Mr. Sun Zhong, the executive director of the Company, who is the indirect equity interest holder of 24.3% in the Company through Harvest Gain Limited, is also the director of CRRI State Right Investment Fund L.P. and State Right Rui Xi Investment Fund Management Limited, which is the general partner of the Fund. Management has assessed the level of influence that the Group has on the Fund and determined that it has no significant influence because of the contractual terms. Consequently, this investment has been classified as an available-for-sale financial instrument.

14 INVENTORIES

The Group

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Raw materials	4,506	4,559
Semi-finished goods	1,777	2,168
Finished goods	—	6,180
Provision for impairment of finished goods (Note 25)	—	(1,538)
	6,283	11,369

Raw materials mainly included consumables, semi-finished goods included raw ores, and finished goods included concentrates.

14 INVENTORIES (Continued)

The Group (Continued)

The cost of inventories recognised as expense and included in "cost of sales" is as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Cost of sales	10,649	9,024

Note: Included in the cost of inventories recognised as expense was idle capacity variance and reversal of provision for inventories of RMB4,320,000 for the year ended 31 December 2014, and included in the cost of inventories recognised as expense was idle capacity variance and provision for inventories of RMB7,999,000 for the year end 31 December 2013, which was directly charged to cost of sales.

15 OTHER RECEIVABLES AND PREPAYMENTS

The Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Other receivables		
— Amounts due from Shaanxi Jiatai (note (a))	43,976	40,318
— Amounts due from Mr. Wei Xing (note (b))	25,777	10,000
— Amounts due from Top Elevate Limited ("Top Elevate") (note (c))	—	7,958
— Deductible VAT input	1,870	2,021
— Others (note (d))	4,774	4,611
Less: impairment provision (note (e), Note 25)	(25,293)	(293)
	51,104	64,615
Advances to suppliers — third parties	527	244
	51,631	64,859

15 OTHER RECEIVABLES AND PREPAYMENTS (Continued)

The Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Amounts due from subsidiaries (note (f))	102,953	98,527
Amounts due from Mr. Wei Xing (note (b))	25,777	10,000
Amounts due from Top Elevate (note (c))	—	7,958
Others (note (d))	3,140	3,075
	131,870	119,560

Notes:

(a) The balance mainly represented prepayment of RMB23,500,000 for acquisition of Shaanxi Jiarun which was lapsed on 30 September 2013, proceeds of RMB8,350,000 receivable from Shaanxi Jiatai arising from disposal of plant, property and equipment and advances of RMB12,126,000 to Shaanxi Jiatai, a company owned by Mr. Wei Xing.

(b) On 20 March 2013, the Company, Geo-Tech and Mr. Wei Xing have entered into a framework agreement in relation to the possible acquisitions of gold mines and mining processing plants in the Republic of Ghana. Pursuant to the agreement, the Company paid an earnest money of RMB10,000,000 (equivalent to HK$12,500,000) to Mr. Wei Xing in consideration of the grant of the exclusive negotiation right for 12 months with 90 days extended subsequently. The earnest money was subject to receiving a share charge over the entire equity interest in the mining processing company owned by Mr. Wei Xing in favour of the Company to secure the refund obligations of Mr. Wei Xing.

On 27 January 2014, the Company, Geo-Tech and Mr. Wei Xing have entered into a supplementary agreement to the framework agreement signed on 20 March 2013. Pursuant to the supplementary agreement, the Company paid a further earnest money of HK$20,000,000 (equivalent to RMB15,621,000) to Mr. Wei Xing. The earnest money was subject to receiving a share charge over the entire equity interest in the mining processing company owned by Mr. Wei Xing in favour of the Company to secure the refund obligations of Mr. Wei Xing.

On 30 June 2014, the Company, Geo-Tech and Mr. Wei Xing had entered into another supplementary agreement pursuant to which the exclusive negotiation right was extended to 31 December 2014. By 31 December 2014, no supplementary agreement was signed and the original agreement was expired.

Until 31 December 2014, the charging aforementioned has not yet been registered.

(c) In October 2013, the Company and Top Elevate, a third party company incorporated in the BVI, entered into an agreement pursuant to which the Company lent a loan of HK$10,000,000 to Top Elevate on 22 October 2013, bearing interest rate at 6% per annum, repayable on 25 December 2013, and guaranteed by Mr. Niu Ruixing, the owner of Top Elevate. The loan was overdue as at 31 December 2013 but subsequently collected on 28 February 2014.

(d) The balances as at 31 December 2013 and 2014 mainly represented receivables from third parties, which were unsecured, interest free and had no fixed terms of repayment.

(e) As of 31 December 2014, other receivables of RMB44,293,000 (2013: RMB293,000) were impaired. The amount of the provision was RMB25,293,000 as of 31 December 2014 (2013: RMB293,000) which has been recognised in administrative expenses. The individually impaired receivables mainly related to Shaanxi Jiatai, which is in dispute with the Group upon the refund of the receivables.

(f) The amounts due from subsidiaries were unsecured, interest-free and repayable on demand.

(g) The carrying amounts of other receivables and prepayments approximated their fair values. The balances were mainly denominated in RMB.

16 CASH AND CASH EQUIVALENTS

The Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Cash on hand	3	—
Current deposits with banks	72,865	223,583
Cash and cash equivalents	72,868	223,583

Balances can be analysed as follows:

	As at 31 December	
	2014	2013
Denominated in:		
— RMB	4,806	15,002
— Hong Kong dollars	68,059	208,578
— US dollars	3	3
	72,868	223,583

Notes:

(a) The bank deposits were interest bearing at rates based on bank deposit rates as agreed with banks. The weighted average effective interest rate on deposits ranged from 0.35% to 0.8% per annum as at 31 December 2014 (2013: 0.35% to 1.753%).

(b) Deposits denominated in Renminbi were deposited with banks in the PRC. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

(c) The deposits were mainly placed with reputable banks for which the credit risk is considered remote.

16 CASH AND CASH EQUIVALENTS (Continued)

The Company

	As at 31 December 2014 RMB'000	2013 RMB'000
Current deposits with banks — denominated in Hong Kong dollars	42,022	181,424
— denominated in US dollars	3	3
	42,025	181,427
Cash and cash equivalents	42,025	181,427

17 SHARE CAPITAL AND SHARE PREMIUM

The Group and the Company

	Authorised Shares of HK$0.1 each
Upon the incorporation of the Company (note (a))	3,800,000
Increase in authorised shares (note (b))	4,996,200,000
As at 31 December 2013 and 2014	5,000,000,000

	Issued and fully paid			
	Number of shares (Thousands)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2013, 31 December 2013 and 31 December 2014	1,000,000	86,322	416,979	503,301

17 SHARE CAPITAL AND SHARE PREMIUM (Continued)

The Group and the Company (Continued)

Notes:

(a) On 19 February 2010, the Company was incorporated with an authorized share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each. Upon the incorporation of the Company, one share of HK$0.1 each was issued at par to Sky Circle.

(b) Pursuant to a shareholder's resolution resolved on 18 May 2010, the authorized share capital of the Company was increased to HK$500,000,000 divided into 5,000,000,000 shares of HK$0.1 each by the creation of 4,996,200,000 shares of HK$0.1 each, and the Company issued 712,419,000 shares of HK$0.1 each as fully paid up by way of capitalization of the amount of HK$71,249,000 (equivalent to RMB62,692,000) standing to the credit of the share premium account to King Award as to 391,869,500 bonus shares and to Sky Circle as to 320,620,500 bonus shares. Consequently, the total number of shares issued is 712,500,000, which are registered in the name of King Award as to 391,875,000 shares and in the name of Sky Circle as to 320,625,000 shares.

18 OTHER RESERVES

The Group

	Safety funds RMB'000	Maintenance funds RMB'000	Capital reserve RMB'000	Available for sale investments RMB'000	Total RMB'000
At 1 January 2013, 31 December 2013	221	1,583	(13,972)	—	(12,168)
Revaluation (Note 13)	—	—	—	(7,467)	(7,467)
At 31 December 2014	221	1,583	(13,972)	(7,467)	(19,635)

The Company

	Available for sale investments RMB'000
At 1 January 2013, 31 December 2013	—
Revaluation (Note 13)	(7,467)
At 31 December 2014	(7,467)

19 ACCUMULATED LOSSES

The Group

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Accumulated losses at beginning of year	(65,207)	(19,831)
Loss for the year	(54,466)	(45,376)
Accumulated losses at end of year	(119,673)	(65,207)

Notes:

(a) In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, the PRC subsidiaries are required to transfer 10% of the profit after taxation determined in accordance with PRC GAAP to the statutory reserve until the balance reaches 50% of the paid-up capital. Such reserve can be used to reduce any losses incurred or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital. There were no appropriation to the statutory reserve for the years ended 31 December 2013 and 2014 as there were losses for the years ended 31 December 2013 and 2014 in the PRC subsidiaries.

(b) Pursuant to certain regulations issued by the State of Administration of Work Safety, the Group is required to set aside an amount to a safety fund at RMB8 per tonne of raw ore mined. The fund can be used for improvements of safety at the mines, and are not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings. There were no appropriation to the safety funds for the years ended 31 December 2013 and 2014 as no ore was mined.

(c) Pursuant to certain regulations issued by the State of Administration of Work Safety and Ministry of Finance, the Group is required to set aside an amount to a maintenance fund calculated based on a rate of RMB18 per tonne of raw ore mined. The fund can be used for improvement of mining structures, and are not available for distributions to shareholders. Upon incurring qualifying capital expenditure, an equivalent amount is transferred from maintenance fund to retained earnings. There were no appropriation to the maintenance fund for the years ended 31 December 2013 and 2014 as no ore was mined.

(d) The directors of the Company did not propose any payment of dividends to the Company's shareholders for the years ended 31 December 2013 and 2014.

19 ACCUMULATED LOSSES (Continued)

The Company

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
At beginning of year	(70,898)	(41,016)
Loss for the year	(7,209)	(29,882)
At end of year	(78,107)	(70,898)

For each of the year ended 31 December 2013 and 31 December 2014, the loss attributable to the equity holders of the Company was dealt with in the financial statements of the Company to the extent of RMB29,882,000 and RMB7,209,000 respectively.

20 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

The Group

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
At beginning of year	4,151	2,495
Acquisition of a subsidiary	—	1,423
Unwinding of discount (Note 28)	322	233
At end of the year	4,473	4,151

A provision is recognised for the present value of costs to be incurred for the restoration of the tailings dam and mining structures which has 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.

21 TRADE PAYABLES

The Group

Trade payables are analysed as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
— Third parties	**1,267**	1,821

The ageing analysis of trade payables are as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
0–90 days	**16**	413
91–180 day	**—**	—
181–365 days	**6**	54
Over 365 days	**1,245**	1,354
	1,267	1,821

The carrying amounts of trade payables approximated their fair values. The balances were denominated in RMB.

22 CONVERTIBLE BONDS

The Group and the Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Convertible bonds (note (a))	**84,547**	72,503

(a) Convertible bonds

The Company issued HK$107,500,000 convertible bonds of 50,000,000 conversion shares at HK$2.15 per share on 19 December 2013 ("closing date") to ACE AXIS Limited which is a special purpose vehicle of the Fund. The convertible bonds bear interest at 2% per annum which is payable semi-annually. The bonds mature in two years from the closing date and shall be redeemed at 116% of their nominal value or can be converted into ordinary shares of the Company on or after 20 December 2013 up to 19 December 2015 at a price of HK$2.15 per share.

22 CONVERTIBLE BONDS (Continued)

The Group and the Company (Continued)

(a) Convertible bonds (Continued)

In conjunction with the convertible bonds, the Company also issued 20,000,000 warrant shares at HK$2.4 per share on 19 December 2013 to ACE AXIS Limited for no additional consideration. The warrants have a subscription period from 20 December 2013 to 19 December 2015 with an exercise price of HK$2.4 per share and maximum value of issued shares amounting to HK$48,000,000. The warrants also have transferability that the subscription rights are freely transferable either in whole or in part provided that, if necessary, the prior approval of the Stock Exchange of Hong Kong Limited shall be required for any transfer to any transferee which is a connected person of the Company.

The values of the liability component of the convertible bonds and the conversion option as well as the warrants were determined at issuance of the bond.

The convertible bonds recognised in the consolidated balance sheet is calculated as follows:

	2013 RMB'000
Face value of convertible bonds issued on 19 December 2013	84,642
Derivative financial instruments (Note 23)	(12,407)
Liability component on initial recognition on 19 December 2013	72,217
Interest expense (Note 28)	432
Interest payable	(54)
Exchange gains	(92)
Liability component as at 31 December 2013	72,503

	2014 RMB'000
Liability component as at 1 January 2014	72,503
Interest expense (Note 28)	13,472
Interest payable	(1,694)
Exchange losses	266
Liability component as at 31 December 2014	84,547

23 DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company

	2014 RMB'000	2013 RMB'000
Convertible bonds — Embedded derivatives (note (a))	571	14,743
Warrants (note (b))	147	4,355
	718	19,098

Notes:

(a) The embedded derivatives are in connection with convertible bonds issued on 19 December 2013, mainly include bondholders' conversion option. The embedded derivatives are valued at HK$12,243,000 (equivalent to RMB9,637,000) at closing date, and subsequently valued at HK$ 18,752,000(equivalent to RMB 14,743,000) and HK$724,000 (equivalent to RMB571,000) at 31 December 2013 and 31 December 2014 respectively by APAC Asset Valuation and Consulting Limited ("APAC"). The fair value change was made through profit and loss.

(b) The warrants are issued together with the convertible bonds on 19 December 2013, which are valued at HK$3,518,000 (equivalent to RMB2,770,000) at closing date, and subsequently valued at HK$5,540,000(equivalent to RMB 4,355,000) and HK$186,000 (equivalent to RMB147,000) at 31 December 2013 and 31 December 2014 respectively by APAC. The fair value change was made through profit and loss.

24 OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Other payables (note (a))	21,826	20,351
Salary and welfare payables	6,152	8,761
Accrued taxes other than income tax (note (b))	5,226	6,217
	33,204	35,392

24 OTHER PAYABLES AND ACCRUALS (Continued)

The Group (Continued)

Notes:

(a) Other payables are analysed as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Other payables		
— Amounts due to Mr. Wei Xing (note (i))	8,618	8,805
— Third parties (note (ii))	13,208	11,546
	21,826	20,351

(i) Amounts due to Mr. Wei Xing were interest free and unsecured, and had no fixed terms of repayment.

(ii) Other payable to third parties mainly included expenses incurred in relation to exploration and other services, and advances from third parties as at 31 December 2013 and mainly included advances from third parties as at 31 December 2014.

(b) Accrued taxes other than income tax are analyzed as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Value added tax	448	407
Resource tax	284	284
Resource compensation fee	4,282	5,310
Others	212	216
	5,226	6,217

The carrying amounts of other payables approximated their fair values.

24 OTHER PAYABLES AND ACCRUALS (Continued)

The Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Other payables (note (a))	1,183	2,461
Salary and welfare payables	422	2,923
	1,605	5,384

(a) Other payables mainly included payables in relation to exploration and professional services as at 31 December 2013 and mainly included professional services as at 31 December 2014.

25 EXPENSES BY NATURE

The following items have been charged to the operating loss for the years ended 31 December 2013 and 2014:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Depreciation (Note 7)	4,412	4,728
Amortisation (Note 9)	243	243
Impairment charge (Note 7, 8)	14,000	—
Provision of other receivables (Note 15)	25,000	—
Employee benefit expenses (Note 26)	12,754	13,113
Raw materials and consumables used	—	35
Concentrate purchased	—	580
Changes in inventories of semi-finished goods and finished goods (Note 14)	6,571	445
(Reversal of)/Provision for impairment of inventories (Note 14)	(1,538)	1,538
Electricity consumed	56	113
Transportation expenses	131	464
Resource compensation fees	7	—
Office expenses and operating lease payments	7,511	7,989
Consulting fees	1,400	2,251
Exploration expenses	280	2,145
Auditor's remuneration	1,181	1,126
Others	501	941
Total cost of sales and administrative expenses	72,509	35,711

26 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Wages and salaries	11,951	12,248
Contributions to pension plans (note (a))	466	484
Housing benefits (note (b))	118	120
Welfare and other expenses	219	261
	12,754	13,113

Notes:

(a) The balance represented the Group's contributions to the defined contribution pension plans organised by the relevant municipal and provincial governments at a rate of 20% of the basic salary of permanent employees in the mainland China.

(b) The balance represented the Group's contributions to government-sponsored housing funds at a rate of 5% of the basic salary of permanent employees in the mainland China.

27 OTHER GAINS/(LOSSES) — NET

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Fair value gains/(losses) on derivative financial instruments (Note 23)	18,380	(6,691)
Gains on bargain purchase	—	383
Write off of long aging payables	—	376
Gains on disposal of property, plant and equipment	—	225
Subsidy income	—	58
Others	(151)	41
	18,229	(5,608)

28 FINANCE COSTS — NET

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Finance income		
— Interest income	1,155	1,103
Finance costs		
Exchange gains/(losses) — net	238	(5,794)
Interest expense		
— Convertible bonds (Note 22)	(13,472)	(432)
— Bank borrowings	—	(171)
— Unwinding of discount — provision for close down, restoration and environmental costs	(322)	(233)
	(13,556)	(6,630)
Finance costs — net	(12,401)	(5,527)

29 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Current tax	—	—
Deferred tax	(6,319)	357
Income tax (credit)/expense	(6,319)	357

The Company is an exempted company incorporated in the Cayman Islands and, as such, is not liable for taxation in the Cayman Islands on its non-Cayman Islands income.

Right Source and Fortune In are exempted companies incorporated in the BVI and, as such, are not liable for taxation in the BVI on their non-BVI income.

29 INCOME TAX (CREDIT)/EXPENSE (Continued)

Surplus Plan and Realty Investment were subject to Hong Kong profits tax at tax rate of 16.5% for each of the years ended 31 December 2013 and 2014.

Effective from 1 January 2008, the Group's subsidiaries in Mainland China determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the PRC (the "new CIT Law") as approved by the National Congress on 16 March 2007. Under the new CIT Law the corporate income tax rate applicable to these companies is 25% since 2008.

The applicable tax rate of Huili Runce, Hami Jinhua, Hami Jiatai and Shaanxi Jiahe for each of the years ended 31 December 2013 and 2014 were 25%.

All the Group's subsidiaries in Hong Kong and Mainland China did not have any assessable profit for each of the years ended 31 December 2013 and 2014.

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Loss before income tax	(63,177)	(45,749)
Tax calculated at domestic tax rates applicable to results in the respective countries	(14,081)	(3,268)
Tax effects of:		
— Expenses not deductible for tax purposes	166	2,653
— Tax losses for which no deferred income tax asset recognized	7,596	972
Income tax (credit)/expense	(6,319)	357

30 LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to the equity holders of the Company by weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Loss attributable to equity holders of the Company	(54,466)	(45,376)
Adjusted weighted average number of shares in issue (in thousands)	1,000,000	1,000,000
Basic and diluted loss per share (RMB)	(0.054)	(0.045)

Diluted loss per share was equal to basic loss per share as there was no dilutive potential share outstanding for the each of the years ended 31 December 2013 and 2014.

31 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The aggregate amounts of emoluments paid/payable to directors of the Company by the Group for each of the years ended 31 December 2013 and 2014 are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	3,008	2,958
Contributions to pension plan	—	—
	3,008	2,958

31 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

The remuneration of each of the directors is set out below:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Basic salaries, allowances and other benefits		
— Mr. Wu Guangsheng	470	470
— Mr. Zhao Guangsheng	470	470
— Mr. Zhao Bochen	470	470
— Mr. Wang Dayong	470	470
— Mr. Lu Qi	470	470
— Mr. Ma Boping	282	282
— Mr. Cao Shiping*	94	94
— Mr. Cao Kuangyu*	94	94
— Mr. Sin Lik Man*	—	70
— Mr. Zhou Meifu*	94	45
— Mr. Song Shaohuan*	94	23
— Mr. Wang Feng	—	—
— Mr. Sun Zhong	—	—
	3,008	2,958

* the non-executive directors

31 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 December 2013 and 2014 are as follows:

	Year ended 31 December	
	2014	2013
Directors	4	4
Non-director individuals	1	1
	5	5

The details of emoluments paid to the five highest individuals who were directors of the Company during each of the years ended 31 December 2013 and 2014 have been included in note 32(a). Details of emoluments paid to the remaining non-director individuals are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	470	490
Contributions to pension plan	6	6
	476	496

During each of the years ended 31 December 2013 and 2014, no directors or five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office.

During each of the years ended 31 December 2013 and 2014, the emoluments paid to each of the highest paid non-director individuals did not exceed HK$1,000,000.

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash used in operations

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Loss before income tax	(63,177)	(45,749)
Adjustments:		
Depreciation of property, plant and equipment	4,412	4,728
Amortisation	243	243
Fair value (gains)/losses on derivative financial instruments	(18,380)	6,691
Finance costs	13,828	4,949
Finance income	(1,155)	(1,103)
Gains on bargain purchase	—	(383)
Gains on disposal of property, plant and equipment	—	(225)
(Reversal of)/Provision for impairment of inventories	(1,538)	1,538
Impairment of long-term assets	14,000	—
Impairment of other receivables	25,000	—
Cash used in operations before working capital changes	(26,767)	(29,311)
Changes in working capital:		
Decrease/(Increase) in inventories	6,624	(1,274)
Decrease in trade receivables	—	15,253
Increase in other receivables and prepayments	(4,457)	(6,801)
Increase in trade and other payables and accruals	1,897	2,333
Increase in restricted cash at banks for environmental recovery	(849)	(1)
Cash used in operations	(23,552)	(19,801)

33 CONTINGENCIES

(a) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Save as disclosed in note 21, the Group is presently not involved in any environmental remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislations, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards.

Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including but not limited to mines and land development areas, whether operating, 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 amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislations cannot reasonably be estimated at present, and could be material.

(b) Insurance

The Group carries commercial insurance for its employees who work underground for personal injury. However, such insurance may not be sufficient to cover the potential future losses. While the effect of under-insurance on future incidents cannot be reasonably assessed at present, management believes this can have a material adverse impact on the results of operations or the financial position of the Group.

34 COMMITMENTS

(a) Capital commitments

Capital expenditure for property, plant and equipment at the respective balance sheet date but not yet incurred is as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Authorised but not contracted for:		
— Buildings	74,269	115,063
— Machineries and equipments	72,338	84,382
	146,607	199,445

(b) Operating lease commitments

The Company leases various offices under non-cancelable operating lease agreements.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
No later than 1 year	2,316	1,593
Later than 1 year and no later than 5 years	1,485	96
Later than 5 years	41	58
	3,842	1,747

35 RELATED PARTY TRANSACTIONS

(a) For the year ended 31 December 2013 and the period from 1 January 2014 to 15 December 2014, the Group's management is of the view that the following persons are related parties of the Group:

Name of related parties	Relationship with the Group
Mr. Lu Qi	A director and an ultimate shareholder of the Company holds 34.3% equity interest in the Group.
Mr. Wang Dayong	A director and an ultimate shareholder of the Company holds 28.06% equity interest in the Group.

(b) For the period from 16 December 2014 to 31 December 2014, the Group's management is of the view that the following persons are related parties of the Group:

Name of related parties	Relationship with the Group
Mr. Wang Dayong	A director and an ultimate shareholder of the Company holds 28.06% equity interest in the Group.
Mr. Sun Zhong	A director and an ultimate shareholder of the Company holds 24.3% equity interest in the Group.
Mr. Lu Qi	A director and an ultimate shareholder of the Company holds 10% equity interest in the Group.

(c) During each of the years ended 31 December 2013 and 2014, the Company had not any material transactions with related parties besides of the aforementioned transactions disclosed in this annual report.

(d) Key management compensation

Key management includes the company secretary, vice president of the Company, the chief officers and managers of the key functional departments.

The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	1,880	2,136
Contributions to pension plan	72	59
	1,952	2,195

36 EVENTS AFTER BALANCE SHEET DATE

(a) Possible acquisitions in South Africa

On 12 February 2015, the Company entered into a non-binding memorandum of understanding with Central Rand Gold Limited, a company listed on the London Stock Exchange (stock code: CRND), in relation to a possible acquisition of 74% interests in an operational gold mining company located in South Africa. The memorandum of understanding entitles the right of first purchase to the Group. As such, no binding agreement has been entered into as at the date of these financial statements.

(b) Agreement with ACE AXIS Limited and State Right Rui Xi Investment Fund Management Limited

On 26 March 2015, the Company entered into an agreement with ACE AXIS Limited and State Right Rui Xi Investment Fund Management Limited, the General Partner of the Fund. The details are set out on Note 3.1.1 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below:

RESULTS

	Year ended 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
REVENUE	3,504	1,097	13,016	19,611	37,566
LOSS BEFORE INCOME TAX	(63,177)	(45,749)	(11,249)	(24,453)	(4,241)
Income tax (expense)/credit	6,319	(357)	1,189	615	1,501
LOSS FOR THE YEAR	(56,858)	(46,106)	(10,060)	(23,838)	(2,740)
Attributable to:					
Equity holders of the Company	(54,466)	(45,376)	(8,438)	(23,542)	(3,374)
Non-controlling interests	(2,392)	(730)	(1,622)	(296)	634
	(56,858)	(46,106)	(10,060)	(23,838)	(2,740)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
TOTAL ASSETS	537,881	614,666	571,312	302,736	323,542
TOTAL LIABILITIES	(169,716)	(182,176)	(92,716)	(142,106)	(139,074)
NON-CONTROLLING INTERESTS	(4,172)	(6,564)	(7,294)	(12,272)	(12,568)
	363,993	425,926	471,302	148,358	171,900

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