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

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

2015 Annual Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Chau Ching

Independent Non-executive Directors

Li Xiaoyang
Lin Chu Chang
Zhang Jingsheng

COMPANY SECRETARY

Chan Yuen Ying, Stella

AUTHORISED REPRESENTATIVES

Geng Guohua
Chan Yuen Ying, Stella

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

As to Cayman Islands law:
Appleby

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

Qin Jia Zhuang
Yangzhuang Town
Yishui County
Shandong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

STOCK CODE

2623

COMPANY WEBSITE

http://www.chinazhongsheng.com.hk/

Dear Shareholders,

I am pleased to present to our shareholders the annual results for the year ended 31 December 2015 on behalf of China Zhongsheng Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group").

BUSINESS REVIEW

The total comprehensive loss attributable to owners of the Company was approximately RMB261.4 million for the year ended 31 December 2015, representing an increase of approximately RMB182.7 million or approximately 232.1% as compared with total comprehensive loss attributable to owners of the Company of RMB78.7 million for the year ended 31 December 2014.

Facing the pressure of domestic economic downturn and regulatory measures towards the property market, the market sentiment of steel industry in the PRC was dampened in 2015. In response to the global iron concentrate market downturn, the Group principally implemented the following measures:

I. Increase in research and development efforts, and transforming into a national high-tech enterprise from a traditional mining company.

1. In 2015, the cooperation with Siberian Branch of the Russian Academy of Sciences achieved significant progress.

Shandong Ishine cooperated with Siberian Branch of the Russian Academy of Sciences in researching of advanced technology of "introduction of a new processing technology for efficient extraction of titanium from ilmenite". The cooperation helped to solve the technical bottleneck of the Group by efficient use of lean titanium content ilmenite resources, thereby significantly reducing the cost and energy consumption in titanium production and enhancing the comprehensive recovery rate of ilmenite ore. On 14 July 2015, Shandong Ishine, a wholly-owned subsidiary of the Group, entered into the formal cooperation agreement with Siberian Branch of the Russian Academy of Sciences in relation to "Introduction of a New Processing Technology for Efficient Extraction of Titanium from Ilmenite", pursuant to which the two parties shall carry out in-depth cooperation in the introduction of a new processing technology for efficient extraction of titanium from ilmenite.

2. Actively enhanced the research support from Institute of Process Engineering of the Chinese Academy of Sciences.

In 2015, based on the so-far achieved results on significant technology, the Group aimed to complete the development and innovation of hydrometallurgy processing of 76%-or-above titanium concentrate as soon as possible. So far, relevant works have progressed well.

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

4. **We transformed ourselves into a national high-tech enterprise from a traditional mining company.**

In 2015, Shandong Ishine, a wholly-owned subsidiary of the Group, received 7 computer software copyright registration certificates and 5 utility model patent certificates. On 10 December 2015, after the strict assessment and approval, Shandong Ishine was notified by the Department of Science & Technology of Shandong Province (山東省科學技術廳), Shandong Province Finance Bureau (山東省財政廳), Shandong Provincial Office of State Administration of Taxation (山東省國家稅務局) and Shandong Local Taxation Bureau (山東省地方稅務局) that various approvals were passed, and Shandong Ishine would be formally awarded the national high-tech enterprise qualification. This is the national certification obtained by Shandong Ishine in enterprise core intellectual property rights, transformation of technological achievement, management and organisation level of research and development and the growth of the operating performance. The Group successfully transformed from a traditional mining company to a national high-tech enterprise, thus laying a solid foundation for the future growth of the sustainable profitability of the Group.

II. Close response to the industrial incentive policies of the central government and full utilisation of the Group's domestic resource advantages to develop the financial leasing business into a new growth drive of the Group.

In 2015, the Group established a financial leasing company in Tianjin to carry out financial leasing business, including purchasing leased assets in domestic and overseas markets, disposal and maintenance of leased assets, and consultation and guarantee on lease transactions. Currently, the company is operating smoothly.

III. Active utilisation of re-financing platform to raise fund.

Taking full advantage of the re-financing platform, the Group placed its new shares in due time and raised RMB153.2 million in 2015. The Group has been continuously broadening its shareholder base and increasing the liquidity of its shares to provide financial support for the Group's development.

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

The Group actively sought support from government based on the relevant national policy. In 2015, the Group received advance construction funds from the government amounting to RMB7.6 million.

V. Enhancing internal strengths, harmonizing ideas and improving team-building, training and management.

It was high time for the Group to enhance internal strengths and improve training of the staff due to the stagnant market conditions. The Group planned to eliminate non-profitable mines and entities in due time. Based on the conditions of the market and the operating conditions of the Group, the Group reduced the number of employees by conducting performance evaluation to improve operating efficiency. The Group strived for the transformation and survival of the Group. It encouraged the staff to get rid of unrealistic complaints and the habit of "waiting, dependence and delay" and was dedicated to build a winning team through self-improvement and self-empowerment.

VI. Continuously improving corporate management system and strictly implemented safety measures.

Strictly in compliance with relevant safety regulations under the Mineral Resources Law and the Safety Production Law, the Group established and optimised its "3-category" safety production management department and safety management system. It formulated strict production accident prevention and emergency rescue plans. The Group focused on propaganda and education works in respect of safety production. Moreover, the Group regularly conducted training and appraisal on all employees in respect of safety production, and created a safety working environment.

VII. Strengthening the management of prepayments.

In 2015, the Group started to implement a supplier credit rating system. The Group established a rigorous approval and recognition process for prepayments with strict examination on the terms of purchase contracts, timely issuance and acceptance of invoices and recognition after entering into a transaction. In order to avoid late settlement of prepayments, the Group further strengthened the management's supervision responsibility to follow up prepayments.

VIII. Mergers and acquisitions.

In 2015, the Group continued to make great efforts in planning and implementation of a comprehensive industrial chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Apart from the above-mentioned internal research and development of production technology, the cooperation with Chinese Academy of Sciences and the technology transfer cooperation with the Siberian Branch of the Russian Academy of Sciences under the leadership of the Ministry of Science and Technology of China, the Company also conducted a number of due diligence and selection projects in regard to potential mergers and acquisitions of enterprises in the whole titanium business to seize every possible chance of mergers and acquisitions and business opportunities.

IX. Research on clean energy.

In 2015, as a resources holdings company, the Group conducted an in-depth research on new clean energy advocated by national policies, such as wind power and solar power. The Group also cooperated with state-owned enterprises and competent new energy companies on the research towards the feasibility of new energy. Based on the particular geographic location of its mines and availability of resources such as wind and solar energy, the Group planned to enter the clean energy industry at a proper time. Meanwhile, a research towards whether the Group can develop into a national competitor with great potential in the sector was being conducted. If there are feasible plans and well-defined targets, the Group will seize every possible chance to become more competent to maximise returns for investors.

X. Continuous pursuit of technological innovation and development of recycling economy.

The Group persists in technology innovation to enhance production efficiency and develop recycling economy. The Group built a picturesque and attractive lake in the mining and production area, which had become a famous view spot well-known for its flourishing and extensive green surroundings of 200,000 sea buckthorns and 6,000 apricot trees and had become the home for flocks of swans and hundreds of thousands of carps and grass carps. The delicate fragrance of red sweet osmanthus and shades of leaves of a rich variety of trees around the lake had also attracted visitors.

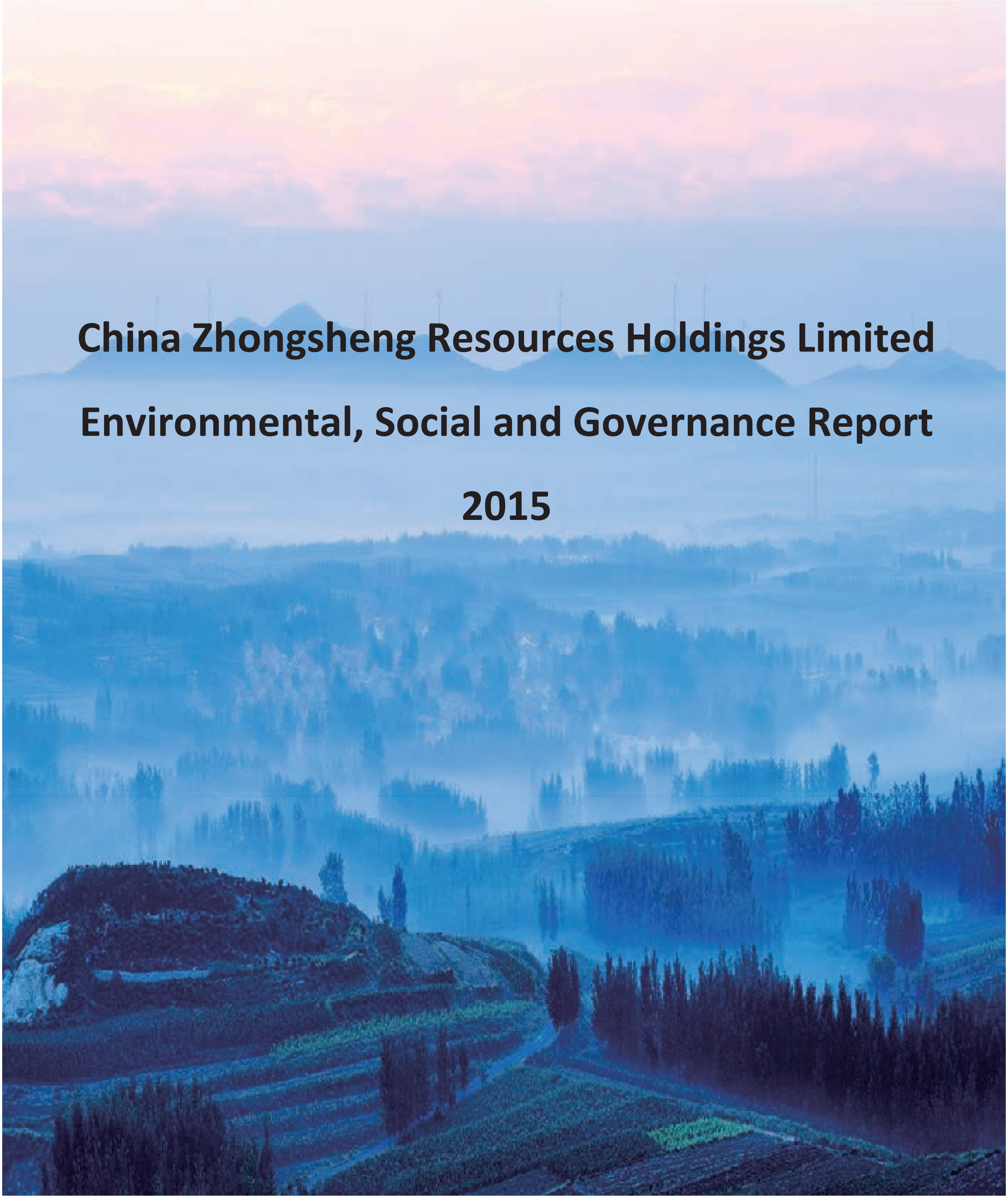
Such achievement can only be made through innovation in technology to improve manufacturing efficiency and reduce energy consumption, therefore accomplishing sustainable recycled economy.

In the upcoming year, the Group will adhere to its tradition of the past and intensify its efforts in the corporate transformation and the fields of high and new technology as well environmental friendly and new green energy, so as to strive for a good performance to reward our investors.

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

Li Yunde
Chairman

Hong Kong, 30 March 2016



China Zhongsheng Resources Holdings Limited

Environmental, Social and Governance Report

2015

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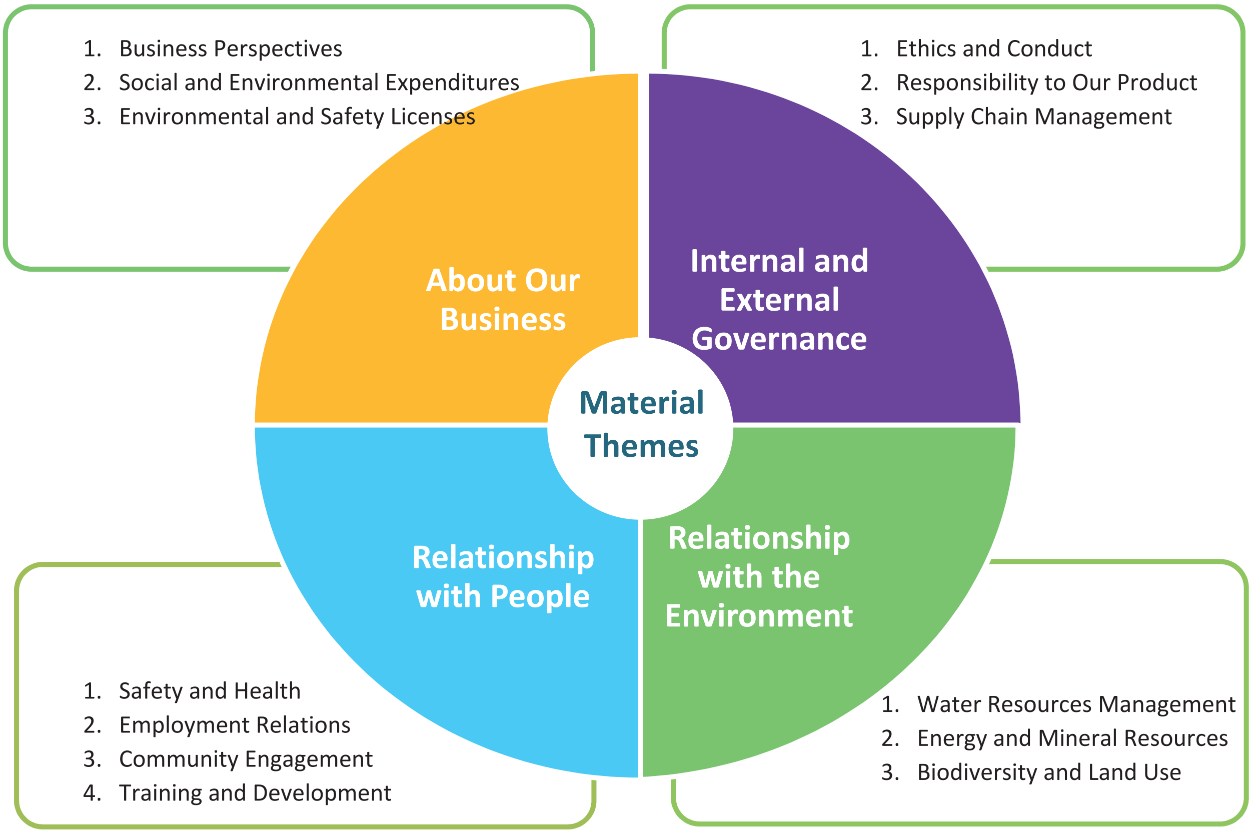
Five Four Square (Yangzhuang Iron Mine)

APPROACH TO SUSTAINABILITY

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

Reporting scope: Our report covers the sustainability performance of our Yangzhuang Iron Mine in Shandong Province, PRC from 1 January 2015 to 31 December 2015, unless otherwise stated. We have outsourced exploration, blasting and mining works of Yangzhuang Iron Mine to contractors; hence these activities are not included in our reporting scope. Other three mines owned by Zhongsheng, namely Zhuge Shangyu Ilmenite Mine, Qinjiazhuang Ilmenite and Luxing Titanium are not included in the reporting boundary of this report as well.



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

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

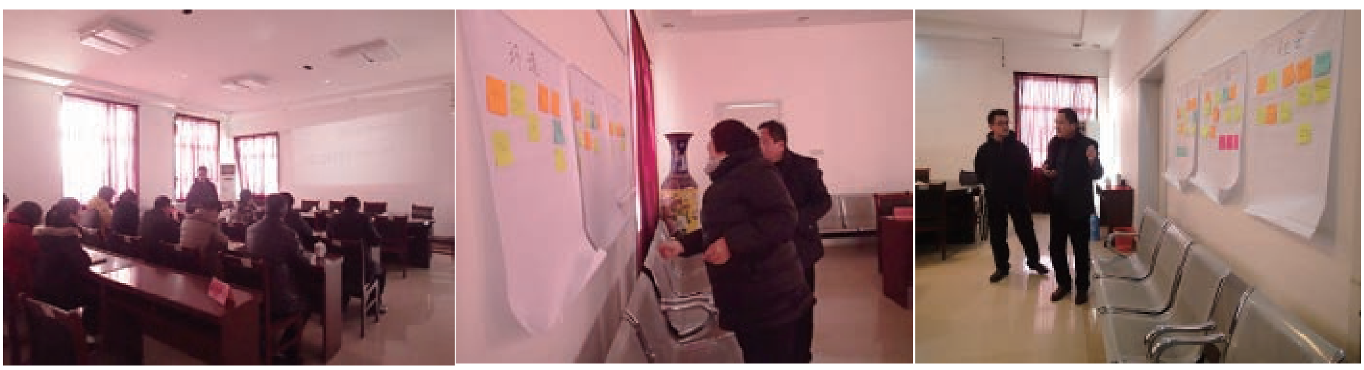
For more information about our social and environmental responsibility, please refer to the Group's official website: chinazhongsheng.com.hk.

APPROACH TO SUSTAINABILITY

Our Stakeholder Engagements

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

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



ESG workshop (Yangzhuang Iron Mine)

HIGHLIGHTS OF 2015

ZERO
Work-related fatality

ZERO
Lost day due to occupational injury

ZERO
Operation sewage discharge

100% water consumption in mining process came from recycled water

100%
Greening of afforestation area

400*
Job positions offered to neighboring community

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

* Total amount since the company establishment

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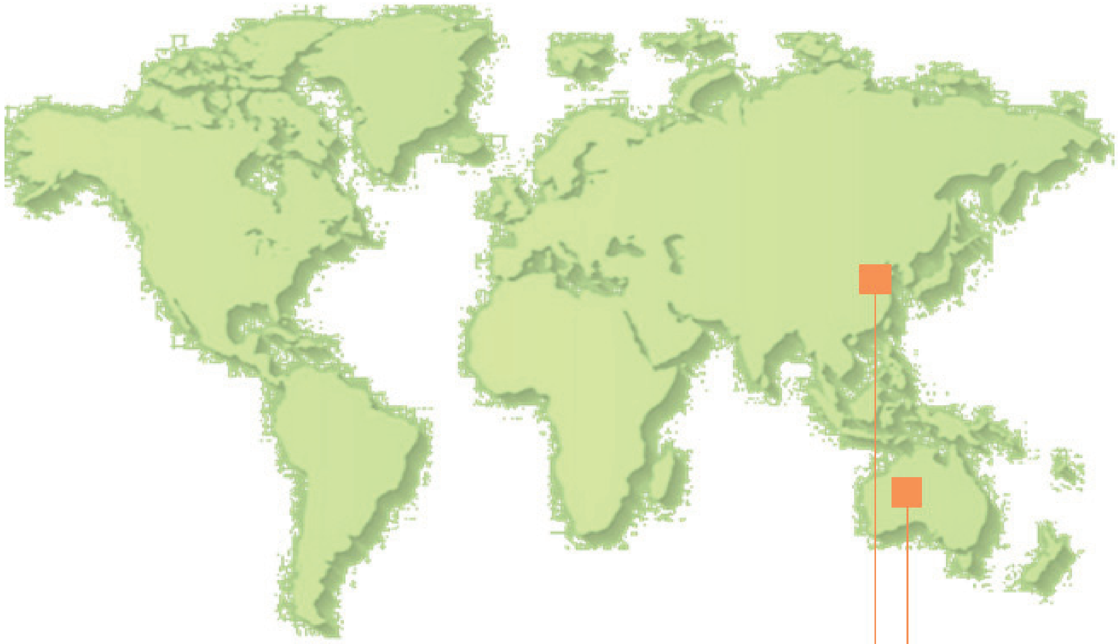
ABOUT OUR BUSINESS

Business Perspective

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



Our major operation in this reporting year focused on iron mining and small-scale processing at Yangzhuang Iron Mine. Total amount of **22,900 tons** of iron ore concentrate were produced, in response to the global iron concentrate market dropping downturn. We exercised appropriate control on the production and processing, maintained storage of ores. We also further strengthened mining engineering work and provided proper maintenance to the mines, in order to be well prepared for the production in a boom market.

ABOUT OUR BUSINESS

Social and Environmental Expenditures

We manage our impacts, both positive and negative, from the planning to the completion stage of our mining projects (more information can be found in the “Relationship with People” and “Relationship with the Environment” sections). Our commitment to sustainability is reflected in our investment of over **RMB 53.2 million** since the company was established. Of this total, **RMB 52 million** was spent on natural resources preservation and ecosystem reclamation, and **RMB 1.2 million** was used to develop neighboring communities.

Types of our environmental expenditures include but not limited to:

- Cooperation with scientific and research institutions to improve ore processing techniques and preserving mineral resources
- Innovation of patented tailing dry discharge system, saving water resources and minimizing tailing dam break
- Afforestation to offset Greenhouse gas emissions
- Land reclamation to enhance soil fertility

Types of our social expenditures include but not limited to:

- Environmental management for neighboring community
- Poverty relief, education system construction and activity sponsorship for community

Environmental and Safety Licenses

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

We successfully attained the exploration permit, mining right, and safety production permit of Yangzhuang Iron Mine and regularly extend their validity. The mining right is currently valid to 2019, with an approved annual mining production scale of 2.3 million ton. Our mining quantity was 442,300 tons of iron ore, in which 146,500 tons was processed and 22,900 tons of iron ore concentrate was produced in this reporting year.

There was no exploration activity at Yangzhuang Iron Mine in the reporting year.

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

INTERNAL AND EXTERNAL GOVERNANCE

Ethics and Conduct

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

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

Bulletin board #1 at Yangzhuang Iron Mine

Bulletin board #2 at Yangzhuang Iron Mine

0 LEGAL CASES

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

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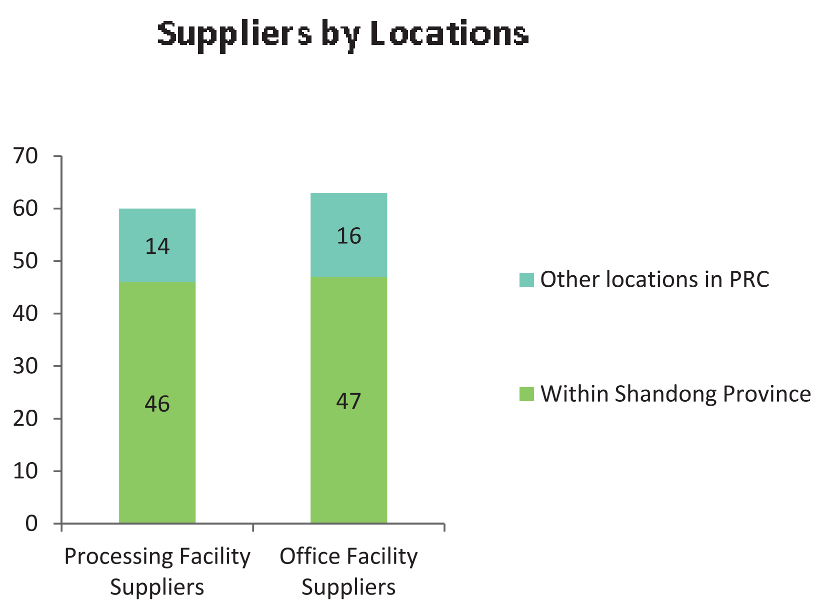
INTERNAL AND EXTERNAL GOVERNANCE

Supply Chain Management

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



One example of our efforts in reducing supplier's environmental impact – we are concerned about the carbon footprint produced by goods transportation from suppliers to us. Therefore, currently there are 77% processing facility suppliers and 75% office facility suppliers stationed within Shandong Province, thereby reducing unnecessary indirect GHG emissions.

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

INTERNAL AND EXTERNAL GOVERNANCE

Responsibility to Our Product

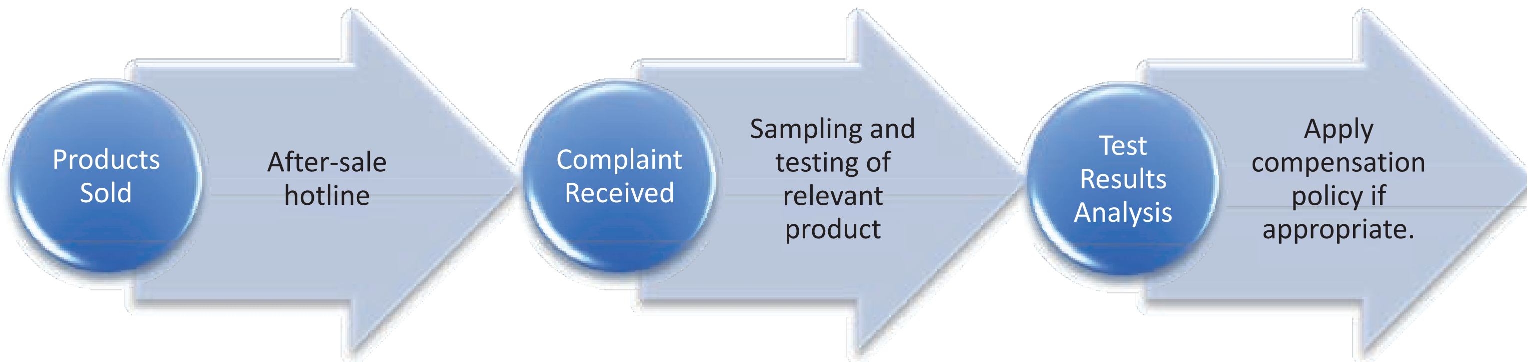
Production Quality Assurance

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

After-sale Services

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

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



Privacy

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

Technology Innovation

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

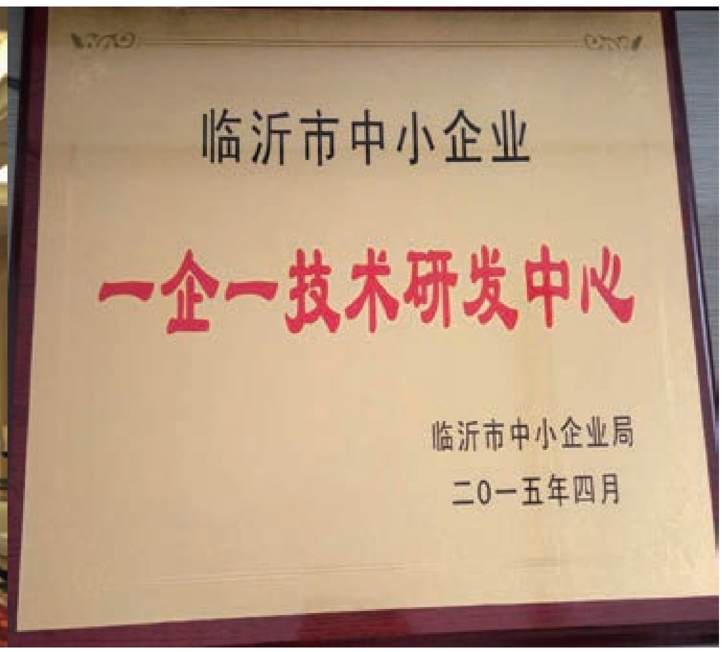
We are honored to be qualified as National High and New Technology Enterprise on 10 December 2015.

Intellectual Property Right

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

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

Signing ceremony of new technology with Siberian Division of the Russian Academy of Science



Technology Research Center awarded by Linyi City, Shandong Province, PRC

RELATIONSHIP WITH PEOPLE

Health and Safety

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

Culture wall at Yangzhuang Iron Mine

Safety drills #1 at Yangzhuang Iron Mine.

Safety Billboard at Yangzhuang Iron Mine

Safety drills #2 at Yangzhuang Iron Mine.

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

ZERO

Work-related Fatality

ZERO

Lost day due to Occupational injury

Employee training course about on-site first-aid knowledge (Yangzhuang Iron Mine)

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

- Formulate emergency rescue plan and regularly hold exercises;
- Implement regular safety meeting;
- Provide education and trainings for employees;
- Hold safety meetings regularly with our blasting and mining contractors;
- Organize occupational hazards physical examination for employees before, during and after operations;
- Set up emergent necessity system, monitoring and inspection system, personal location system (PLS), communication system, water and air supply system for the worker(s) underground;
- Maintain underground drainage system to prevent flooding;
- Build specific rooms and corridors for safety education and promotion.

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

RELATIONSHIP WITH PEOPLE

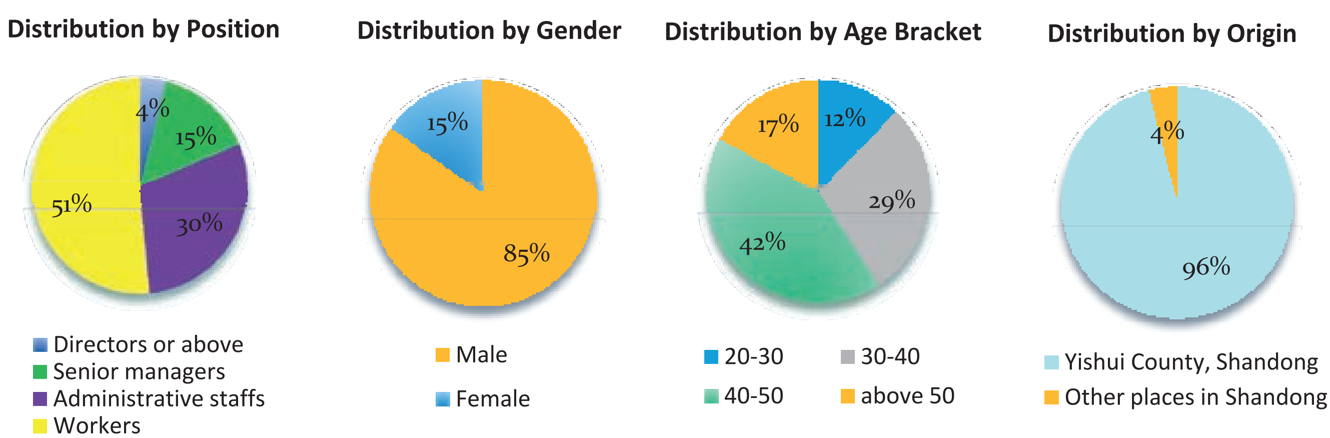
Employment Relations

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

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

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

By the end of this reporting year, we had a total of 212 workers, not including our contractors, with the following distribution characteristics.



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Turnover

By the end of this reporting year, our turnover rate was 36.3% - mostly from frontline workers. Generally the high turnover rate of frontline workers occurs over the Chinese New Year period in mainland China.

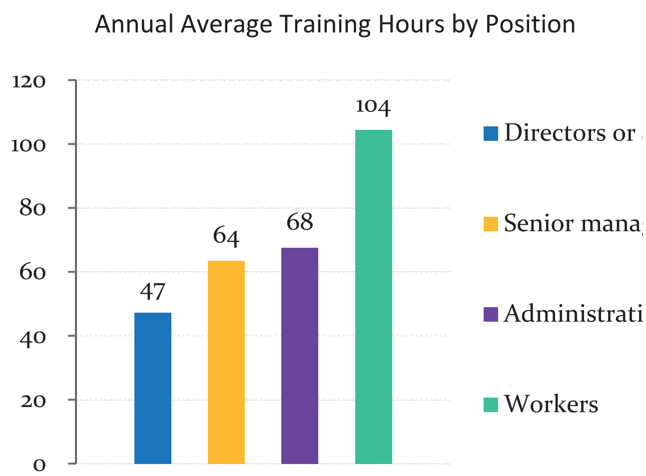
Category	2015 Turnover Rate (%)
By gender	
Men	29.7%
Women	6.6%
By positions	
Directors and above	0.00%
Senior Managers	0.00%
Administrative Staffs	3.20%
Workers	**33.10%**
By age bracket	
Between 18 – 20	0.00%
Between 20 – 30	10.60%
Between 30 – 40	14.70%
Between 40 – 50	9.70%
Above 50	1.30%
By origin	
Yishui County, Shandong Province, PRC	36.30%
Other places in Shandong Province, PRC	0.00%
Outside Shandong Province, PRC	0.00%

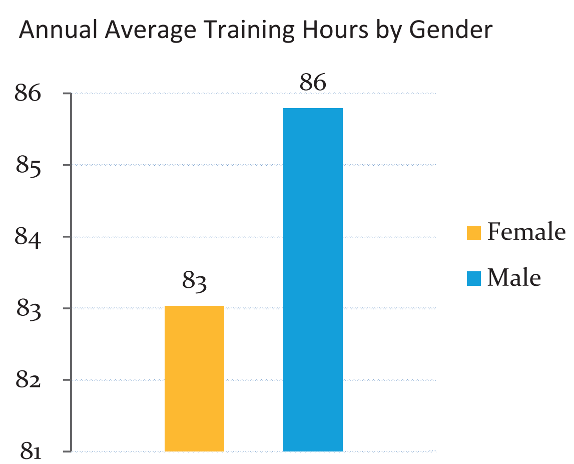
Our HR department has regular discussion and communication with employees and conduct satisfaction survey annually. At the end of each year, there would be an investigation engaging all employees about their opinions towards Group's management, policies, culture, welfare and environment, etc. This communication approach helps management better understand its employees, and thereby reducing turnover rate. In this reporting year, types of investigations including face-to-face conversation, satisfaction questionnaire had been applied. The investigations involved 196 people and the results showed that employees reached a good balance of work and life, reflecting a positive feedback on the management of the company.

RELATIONSHIP WITH PEOPLE

Training and Development

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





All of our employees participated in internal training courses with an annual average of 85 hours in the reporting year. Female and male staffs have slight difference (3%) in training hours they took, showing our policy that no discriminatory treatment in gender. From position aspect, frontline workers undertook more training hours, for an annual average of 104 hours, showing our priority in safety training of front-line workers.

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RELATIONSHIP WITH PEOPLE

Community Engagement

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

Caring about and supporting public education, we donated over RMB 121,000 to the public education development within Yangzhuang Iron Mine's neighboring community – Yishui County, including construction of several community colleges.

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

To develop a sustainable environment, we invested over RMB 120,000 in environmental management of neighboring communities. We not only take comprehensive utilization of our by-products to mining reclamation and provide self planted fruits and vegetables to villagers for free, but we also invested in greening barren mountains, greening villages and providing haze disaster relief, etc.

For poverty relief and charities, we invested over RMB 263,500, including relieving the lonely elderly of no family and constructing community facilities.

To further contribute to society, benefits community and improve the Group's image, we sponsored community activities for over RMB 700,000 and also positively participated in them.

The staffs and neighboring villagers gathered fruits within Yangzhuang Iron Mine.

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The cherry blossom along lake composed by treated processing water (Yangzhuang Iron Mine)

RELATIONSHIP WITH THE ENVIRONMENT

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

The resources consumed in 2015 were listed by type with total consumption amounts and intensities by output as below. The iron ore concentrate output for the reporting year is 22,900 tons.

Resource Type	Total Amount of Consumption	Resource Consumption Intensity (per ton output)
Water ***(mining, processing, municipal use)***	750,000 m^3	32.75 m^3
Electricity ***(mining, processing use)***	4,893,299 kwh	213.68 kwh
LPG ***(municipal use)***	420 kg	0.02 kg
Diesel ***(transportation use)***	81,900 kg	3.58 kg

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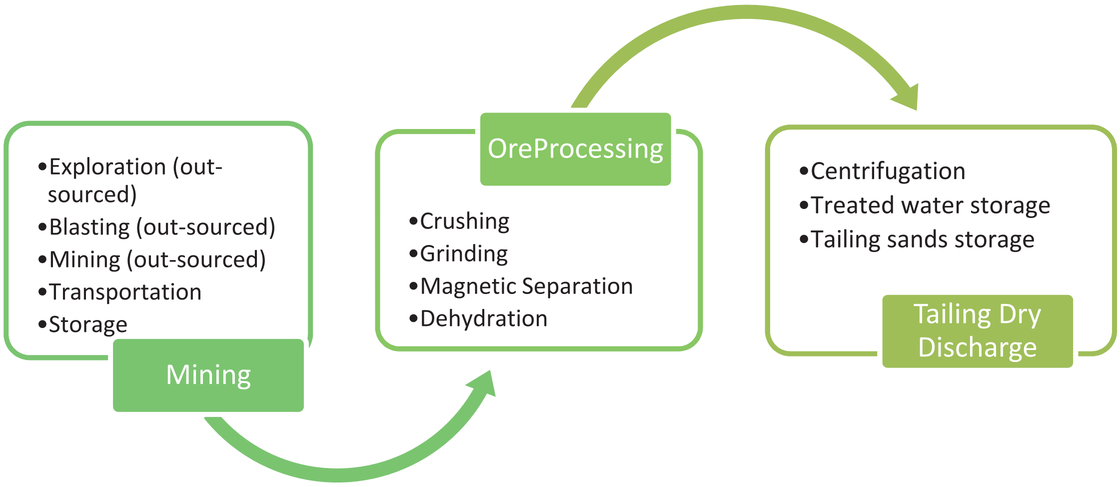


We manage our major activities, including mining, iron processing and tailing dry discharge, and their respective potential environmental impacts.

1. Potential impacts on air quality:
   - Particulate matters (PM) produced and emitted during mining and ore processing stages
   - Greenhouse gases (GHG) produced and emitted in all operation stages
   - Air pollutants produced and emitted in the blasting and transportation steps
2. Potential impacts on water resources:
   - Reduction in underground water availability in the exploration and blasting steps
   - Change in surface and underground water dynamics in the exploration and blasting steps
   - Degradation of water quality during the ore processing stage
3. Potential impacts on land:
   - Land occupation by treated water and tailing sands storage
   - Change of geographical structure in exploration and blasting steps
4. Potential impacts on ecosystem:
   - Habitat loss in mine operation area and outside mine operation area
   - Loss in fauna and flora richness, diversity and population
   - Fragmentation of ecosystems

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

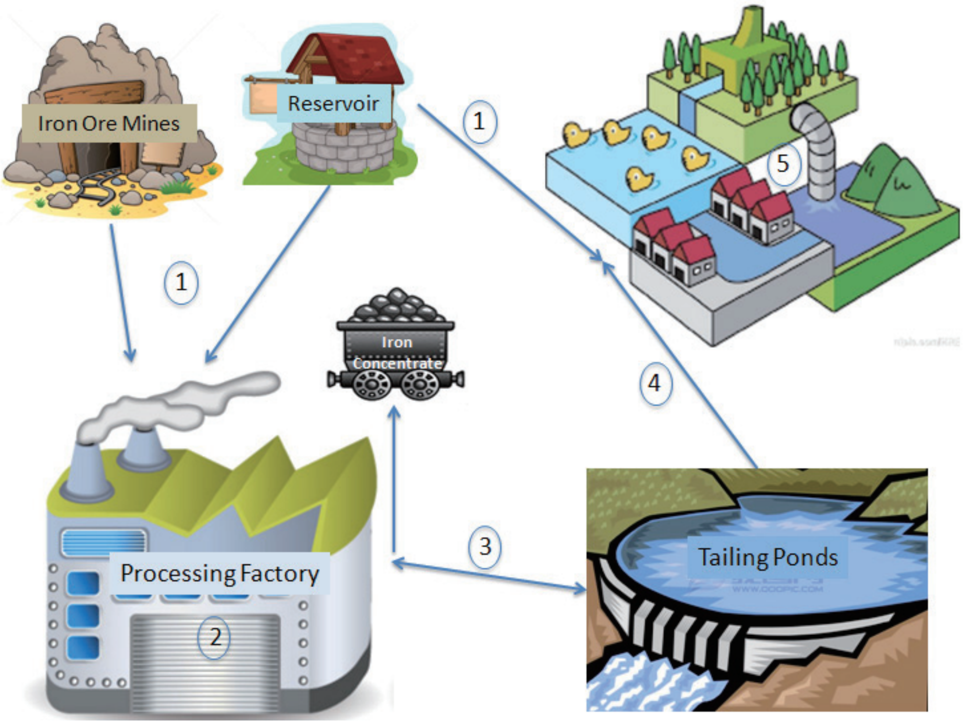
RELATIONSHIP WITH THE ENVIRONMENT

Water Resources Management

Patented tailing dam dry discharge system (Yangzhuang Iron Mine)

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

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



1. Collect underground water from rain water, reservoir and mines for mining and processing use;
2. Water is used in the iron ore extraction process; and waste water is collected by recycling equipment;
3. Waste water from processing factory is treated by tailing dry discharge system to separate water and tailing sands, and treated water is stored in tailing ponds for recycling use in processing factory;
4. Part of treated water from tailing pond will be inputted in our artificial lake;
5. In addition, our domestic sewage will be treated by our owned treatment plant and then to be used for irrigation.

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

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RELATIONSHIP WITH THE ENVIRONMENT

Energy and Mineral Resources

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

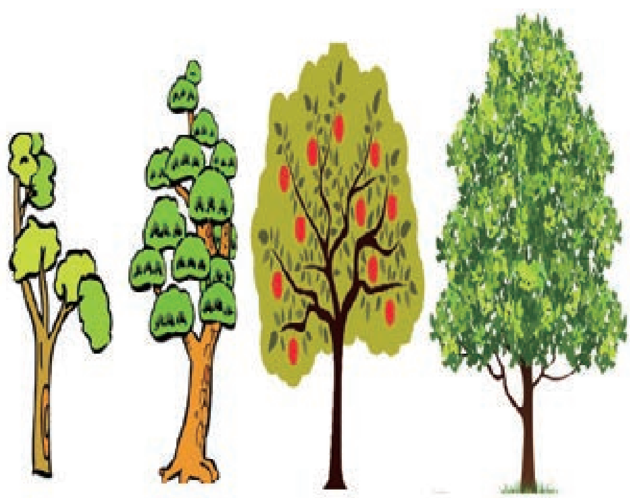
Resources Utilization: We apply short-hole shrinkage mining and sublevel room mining to increase our resource utilization rate – mining recovery rate was increased thereby maximizing utilization of measured iron ore resources and extending the mine's service life.

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

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

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

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



GHG Emissions and Removals 2015

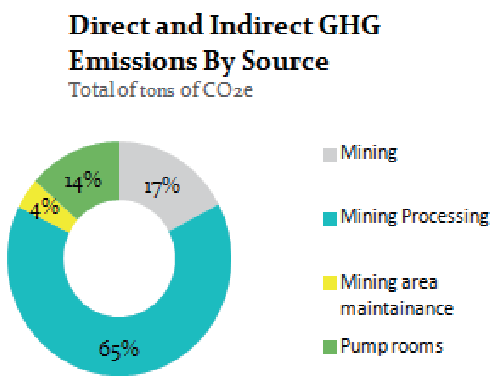
Direct GHG Emissions	Tons of CO_2 equivalent	GHG Emission Intensity by output unit [c] (tons of CO_2e/ton)
Scope 1 Stationary Sources	0.33	/
Scope 2 Grid Electricity	3,912.19	/
Total	**3,912.52**	**0.17**

Remark:

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

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

c) The output unit is per tons of produced iron ore concentrate. Total produced iron ore concentrate was 22,900 tons in the reporting year.



Scope 3 Indirect GHG Removals	Planted Tree Quantity	Tons of CO2 equivalent
Persimmon Tree	214	4.922
Gingko	74	1.702
Acacia	105	2.415
Willow	383	8.809
Lodgepole Pine	216	4.968
Cedar	200	4.6
Platanus	87	2.001
Locust	1	0.023
Elm	**2**	0.046
Pagoda	596	13.708
White Poplar	404	9.292
Total	**2282**	**52.486**

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

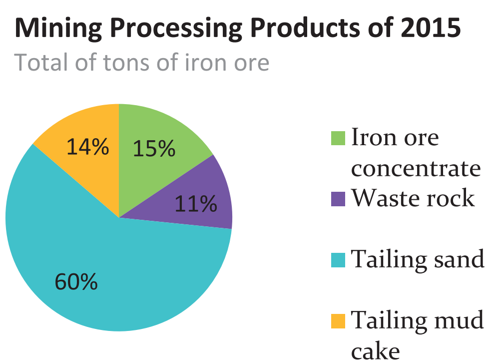
Based on our current consumed energy type, we are moving forward to take utilization of renewable energy (e.g. wind power electricity generation) to partly substitute existing energy types.

Comprehensive utilization of tailing sands to produce cement #1 (Yangzhuang Iron Mine)

Comprehensive utilization of tailing sands to produce cement #2 (Yangzhuang Iron Mine)

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

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



In 2015, we processed about 146,500 tons of iron ores and produced 22,900 tons of iron ore concentrates as our final product. This process produced wastes, including waste rocks, tailing sands and mud cakes. Waste rocks were used for paving roads; tailing sands and mud cakes were used for gob stowing and land reclamation. These comprehensive utilizations of all processing by-products minimized formation of tailing dams, thereby reducing land demand and potential risks of tailing dams break.

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

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

RELATIONSHIP WITH THE ENVIRONMENT

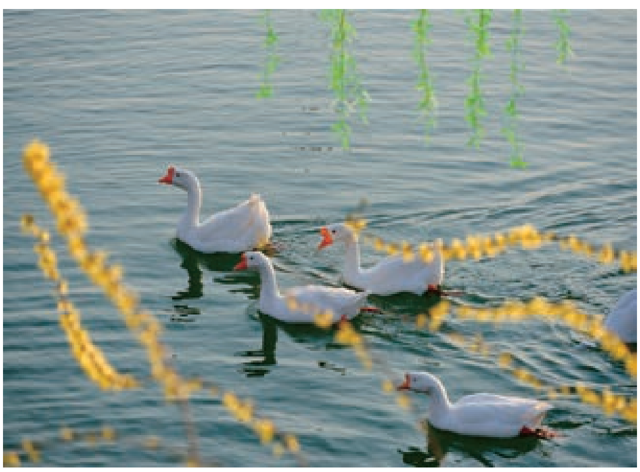
Biodiversity and Land Use

The nature of our business principally has impact on local physical environmental, which in turn has influence on its biotic environment. Without a proper management system, the ecosystem may encounter an imbalance, culminating in irreversible environmental impact. Thus, we put emphasis on the protection of our lands and biodiversity through prevention, control, mitigation and compensation. In recent years, we invested over RMB 52 millions in natural resources preservation (water source, mineral sources, etc.) and ecological construction.

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

For open-pit mining environment and tailing dams which were adopted before the establishment of the company, we applied afforestation to outdoor mining area; and slope cutting, broadening, strengthening, and afforestation of tailing dams to minimize potential dam break concerns.

All our achievements were witnessed by government and community, and we eventually became one of first mining companies being certified as "State Green Mine" by Ministry of Land and Resources and China Mining Association.



Swans and fishes in the lake composed by treated processing water (Yangzhuang Iron Mine)

BUSINESS REVIEW

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

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

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

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

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

The Group's revenue decreased by approximately RMB131.6 million, or 30.9%, to approximately RMB294.5 million for the year ended 31 December 2015, as compared with RMB426.1 million for the year ended 31 December 2014. The decrease in revenue was primarily due to (1) the decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine by approximately RMB97.2 million; (2) the decrease in sales of mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately RMB86.6 million; and (3) the decrease in sales of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine and ilmenite ore of Luxing Titanium Mine by approximately RMB0.7 million and RMB5.0 million respectively for the year ended 31 December 2015, which was offset by the increase in turnover by approximately RMB58.1 million from trading of coarse iron powder from approximately RMB125.6 million for the year ended 31 December 2014 to RMB183.7 million for the year ended 31 December 2015.

The total comprehensive loss attributable to owners of the Company was approximately RMB261.4 million for the year ended 31 December 2015, representing an increase of approximately RMB182.7 million or approximately 232.1% as compared to that of approximately RMB78.7 million for the year ended 31 December 2014. This was mainly due to (1) the gross profit decreased by approximately RMB35.5 million from the gross profit of approximately RMB0.8 million for the year ended 31 December 2014 to the gross loss of approximately RMB34.7 million for the year ended 31 December 2015. The main reasons for the decline were (i) the decrease in gross profit of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from the coarse iron powder by approximately RMB14.4 million from the gross profit of approximately RMB2.2 million for the year ended 31 December 2014 to the gross loss of approximately RMB12.2 million for the year ended 31 December 2015; (ii) the decrease in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB4.9 million from the gross profit of approximately RMB1.6 million for the year ended 31 December 2014 to the gross loss of approximately RMB3.3 million for the year ended 31 December 2015; and (iii) the decrease in gross profit of trading of coarse iron powder by approximately RMB21.7 million from the gross profit of approximately RMB0.3 million for the year ended 31 December 2014 to the gross loss of approximately RMB21.4 million for the year ended 31 December 2015; (2) the loss from issuance of non-listed warrants of approximately RMB13.5 million. On 1 June 2015, 140,000,000 non-listed warrants were issued at par value of RMB0.0016 each and the exercise price was RMB0.319; and (3) the increase in the impairment loss of assets by approximately RMB118.8 million from approximately RMB17.8 million for the year ended 31 December 2014 to approximately RMB136.6 million for the year ended 31 December 2015.

Measures adopted by the management in 2015:

I. Continuous increase in research and development efforts to support industrial technological upgrade, and transforming into a national high-tech enterprise from a traditional mining company

1. In 2015, the cooperation with Siberian Branch of the Russian Academy of Sciences achieved significant progress.

   Shandong Ishine, a wholly-owned subsidiary of the Group cooperated with Siberian Branch of the Russian Academy of Sciences in researching of advanced technology of "introduction of a new processing technology for efficient extraction of titanium from ilmenite". The cooperation helped solve the technical bottleneck of the Group by efficient use of lean titanium content ilmenite resources, thereby significantly reducing the cost and energy consumption in titanium production and enhancing the comprehensive recovery rate of ilmenite ore. On 14 July 2015, Shandong Ishine entered into the formal cooperation agreement with Siberian Branch of the Russian Academy of Sciences in relation to "Introduction of a New Processing Technology for Efficient Extraction of Titanium from Ilmenite", pursuant to which the two parties shall carry out in-depth cooperation in the introduction of a new processing technology for efficient extraction of titanium from ilmenite.

2. The Group actively enhanced the research support from Institute of Process Engineering of the Chinese Academy of Sciences.

   In 2015, based on the so-far achieved results on significant technology, the Group aimed to complete the development and innovation of hydrometallurgy processing of 76%-or-above titanium concentrate as soon as possible. So far, relevant works have progressed well.

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

4. We transformed ourselves into a national high-tech enterprise from a traditional mining company.

Shandong Ishine, a wholly-owned subsidiary of the Group, received 7 computer software copyright registration certificates and 5 utility model patent certificates. On 10 December 2015, Shandong Ishine was notified by the Department of Science & Technology of Shandong Province (山東省科學技術廳), Shandong Province Finance Bureau (山東省財政廳), Shandong Provincial Office of State Administration of Taxation (山東省國家稅務局) and Shandong Local Taxation Bureau (山東省地方稅務局) that various approvals were passed, and Shandong Ishine would be formally awarded the national high-tech enterprise qualification. Shandong Ishine has been awarded national certification in enterprise core intellectual property rights, transformation of technological achievement, management and organisation level of research and development and the growth of the operating performance. The Group successfully transformed from a traditional mining company to a national high-tech enterprise, thus laying a solid foundation for the future growth of the sustainable profitability of the Group.

II. Close response to the industrial incentive policies of the central government and full utilisation of the Group's domestic resource advantages to develop the financial leasing business into a new growth drive of the Group.

In 2015, the Group established a financial leasing company in Tianjin to carry out financial leasing business, including purchasing leased assets in domestic and overseas markets, disposal and maintenance of leased assets, and consultation and guarantee on lease transactions. Currently, the company is operating smoothly.

III. Active utilisation of re-financing platform to raise fund.

Taking full advantage of the re-financing platform, the Group placed its new shares in due time and raised approximately RMB153.2 million in 2015. The Group has been continuously broadening its shareholder base and increasing the liquidity of its shares to provide financial support for the Group's development.

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

The Group actively sought support from government based on the relevant national policy. In 2015, the Group received advance construction funds from the government amounting to approximately RMB7.6 million.

V. Enhancing internal strengths, harmonizing ideas and improving team-building, training and management.

It was high time for the Group to enhance internal strengths and improve training of the staff due to the stagnant market conditions. The Group planned to eliminate non-profitable mines and entities in due time. Based on the conditions of the market and the operating conditions of the Group, the Group reduced the number of employees by conducting performance evaluation to improve operating efficiency. The Group strived for the transformation and survival of the Group. It encouraged the staff to get rid of unrealistic complaints and the habit of "waiting, dependence and delay" and was dedicated to build a winning team through self-improvement and self-empowerment.

VI. Improving corporate management system and safety measures.

Strictly in compliance with relevant safety regulations under the Mineral Resources Law and the Safety Production Law, the Group established and optimised its "3-category" safety production management department and safety management system. It formulated strict production accident prevention and emergency rescue plans. The Group focused on propaganda and education works in respect of safety production. It set up propaganda notice board and alert notice in respect of safety production at living and working places of employees, including walls at plants, car parking area and factories. Over 300 propaganda posters and slogans were placed. Moreover, the Group conducted training and appraisal on all employees in respect of safety production, and created a safety working environment.

VII. Strengthening the management of prepayments.

In 2015, the Group started to implement a supplier credit rating system. The Group established a rigorous approval and recognition process for prepayments with strict examination on the terms of purchase contracts, timely issuance and acceptance of invoices and recognition after entering into a transaction. In order to avoid late settlement of prepayments, the Group further strengthened the management's supervision responsibility to follow up prepayments.

VIII. Continuous pursuit of technological innovation and development of recycling economy.

The Group persists in technology innovation to enhance production efficiency and develop recycling economy. The Group built a picturesque and attractive lake in the mining and production area, which had become a famous view spot well-known for its flourishing and extensive green surroundings of 200,000 sea buckthorns and 6,000 apricot trees and had become the home for flocks of swans and hundreds of thousands of carps and grass carps. The delicate fragrance of red sweet osmanthus and shades of leaves of a rich variety of trees around the lake had also attracted visitors.

Such achievement can only be made through innovation in technology to improve manufacturing efficiency and reduce energy consumption, therefore accomplishing sustainable recycled economy.

Taking reduction of water consumption as an example, the company's application of technology of draining residual ores achieved "zero emission" of industrial waste water, making us the first domestic mining company to get rid of tailing dam and achieve the recycle of industrial waste water. The implementation of water recycle projects effectively reduced water consumption. With such achievement, the company was granted a patent certificate for draining tailing system by the State Intellectual Property Office in 2012 and was recognised as the "Highlighted and Demonstrative Project of Draining Tailing in Shandong Province" by the Land and Resources Department of Shandong Province.

IX. Mergers and acquisitions.

In 2015, the Group continued to make great efforts in planning and implementation of a comprehensive industrial chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Apart from the above-mentioned internal research and development of production technology, the cooperation with Chinese Academy of Sciences and the technology transfer cooperation with the Siberian Branch of the Russian Academy of Sciences under the leadership of the Ministry of Science and Technology of China, the Company also conducted a number of due diligence and selection projects in regard to potential mergers and acquisitions of enterprises in the whole titanium business to seize every possible chance of mergers and acquisitions and business opportunities.

X. Research on clean energy.

In 2015, as a listed resources holdings company, the Group conducted an in-depth research on new clean energy advocated by national policies, such as wind power and solar power. The Group also cooperated with state-owned enterprises and competent new energy companies on the research towards the feasibility of new energy. Based on the particular geographic location of its mines and availability of resources such as wind and solar energy, the Group planned to enter the clean energy industry at a proper time. Meanwhile, a research towards whether the Group can develop into a national competitor with great potential in the sector was being conducted. If there are feasible plans and well-defined targets, the Group will seize every possible chance to become more competent to maximise returns for investors.

OPERATION OVERVIEW AND CAPITAL EXPENDITURE

In the new economic environment, the Group has planned its business layouts, resolved to seize newly emerged opportunities in the markets and performed detailed analysis on upstream and downstream activities of iron and ilmenite ore product industry in order to adopt more accurate industrial positioning and development strategies. Meanwhile, as a listed resources holdings company with a strong sense of accountability towards investors, the Group focuses on China's resource strategies and policies under the new economic norm, and actively seeks new directions of investment in resources and formulates a new industrial plan for new clean energy, laying foundation for future development.

I. Production and operation

In the coming year, the Group will still insist on the development direction of relying on iron concentrates as basis and focusing on titanium concentrates. The Group will analyze the operational risk in depth, carefully judge the timing of trading activity, implement production plans in a timely manner and seize potential trading opportunities in order to maximize value of the Group.

1. Yangzhuang Iron Mine

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

According to market conditions, the Group plans to mine and process approximately 1.4Mt of iron ores and produce approximately 0.20Mt of 65% iron concentrates in 2015. As there is a market downturn in 2015, the Group has further maintained its mines and protected resources by controlling production and processing volume. Meanwhile, the Group will continue to implement the comprehensive utilisation of residual ores and improve overall benefits of maintaining green environment in Yangzhuang Iron Mine. The Group invested approximately RMB6.1 million in Yangzhuang Iron Mine in 2015.

Approximately 0.44Mt and 0.15Mt of iron ores were mined and processed respectively and 0.02Mt of 65% iron concentrates were produced from Yangzhuang Iron Mine in 2015.

There was no exploration activity carried out in Yangzhuang Iron Mine in 2015.

2. Zhuge Shangyu Ilmenite Mine

Currently, the Group possesses mining rights of Zhuge Shangyu Ilmenite Mine with an approved annual production scale of 0.4Mt.

The Group rented an iron ore processing plant and installed a new titanium processing line in it in 2013, which is now in production and operation. The Group will use the production line as a platform to strengthen cooperation with national scientific research institutions in order to improve processing technology for extraction of titanium, control production costs and enhance the comprehensive recovery rate of ilmenite ore.

Due to a market downturn, the Group has suspended its investment in the 2.0Mt production line in Zhuge Shangyu Ilmenite Mine in 2013. The Group invested approximately RMB2.1 million in Zhuge Shangyu Ilmenite Mine in 2015.

In 2015, there was no exploration, mining or processing activity carried out in Zhuge Shangyu Ilmenite Mine.

3. Qinjiazhuang Ilmenite Mine

In 2015, the Group intended to determine whether to invest in and conduct production activities in Qinjiazhuang Ilmenite Mine based on future market changes.

Due to a market downturn in 2015, there was no exploration, investment or production activity carried out in Qinjiazhuang Ilmenite Mine.

4. Luxing Titanium Mine

Currently, the Group possesses mining rights of Luxing Titanium Mine with an approved annual production scale of 1.5 Mt.

Based on market conditions in 2015, the Group has set its basic business objectives as protecting resources instead of selling-off and maintaining the interest of shareholders. The Group will decide whether to mine and process its own mines based on future profitability.

Due to a market downturn in 2015, the Group invested approximately RMB0.06 million in Luxing Titanium Mine. There was no exploration, mining or processing activity carried out in Luxing Titanium Mine.

5. Gaozhuang Shangyu Ilmenite Mine

In 2015, there was no capital expenditure and no exploration and mining activity carried out in Gaozhuang Shangyu Ilmenite Mine.

6. Bashan Iron Mine

In 2015, there was no capital expenditure and no exploration and mining activity carried out in Bashan Iron Mine.

II. Business relating to capital markets and others

1. In order to fully capitalize on the re-financing platform, the Group placed its new shares in due time, continuously broadening its shareholder base, increasing the liquidity of its shares and providing financial support to potential merger and acquisition projects, if any, or extension of the Group's industrial chain of titanium products.

   In 2015, the Group utilized the re-financing platform to place its shares and raised approximately RMB153.2 million.

2. The Group always follows the industrial incentive policies of the central government. In order to capitalize on its domestic resources and advantages, the Group plans to engage in financial leasing business and funding business in due course, so as to turn the new businesses into new growth drivers for the Group.

In 2015, the Company established a financial leasing company in Tianjin, the PRC, to carry out financial leasing business in respect of purchase of leased properties in domestic and overseas markets, disposal and maintenance of leased properties, as well as consultation and guarantee on leasing transactions. The company is now in normal operation.

III. Technological innovation and other businesses

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

   In 2015, the research on new techniques was conducted orderly.

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

   In 2015, the research on hydrometallurgy processing of 76%-or-above titanium concentrate cooperate with Institute of Process Engineering of the Chinese Academy of Science is in progress, and relevant works have progressed well.

3. The Group actively advances the cooperation with Siberian Branch of the Russian Academy of Sciences to introduce new technology to efficiently extract titanium from ilmenite ores.

   In 2015, the cooperation with Siberian Branch of the Russian Academy of Sciences achieved significant progress. On 14 July 2015, Shandong Ishine, a wholly-owned subsidiary of the Group, entered into the formal cooperation agreement with Siberian Branch of the Russian Academy of Sciences in relation to "Introduction of a New Processing Technology for Efficient Extraction of Titanium from Ilmenite", pursuant to which the two parties shall carry out in-depth cooperation in the introduction of a new processing technology for efficient extraction of titanium from ilmenite.

4. The Group transformed into a national high-tech enterprise from a traditional mining company.

In 2015, Shandong Ishine, a wholly-owned subsidiary of the Group, received 7 computer software copyright registration certificates and 5 utility model patent certificates. On 10 December 2015, Shandong Ishine was notified by the Department of Science & Technology of Shandong Province (山東省科學技術廳), Shandong Province Finance Bureau (山東省財政廳), Shandong Provincial Office of State Administration of Taxation (山東省國家稅務局) and Shandong Local Taxation Bureau (山東省地方稅務局) that various approvals were passed, and Shandong Ishine would be formally awarded the national high-tech enterprise qualification. Shandong Ishine had been awarded national certification in enterprise core intellectual property rights, transformation of technological achievement, management and organisation level of research and development and the growth of the operating performance. The Group successfully transformed from a traditional mining company to a national high-tech enterprise, thus laying a solid foundation for the future growth of the sustainable profitability of the Group.

IV. Fuel oil business

To explore new business opportunities in 2015, the Group plans to engage in import and sales of fuel oil based on market conditions to develop new profit drivers for the Group.

Due to market conditions, the Group did not engage in import and sales of fuel oil in 2015.

V. Expansion in clean energy business

In 2015, the Group focused on investigation and research on national polices in respect of new clean energy such as wind power and solar energy. Based on the natural characteristics such as geography and landform of its mines, the Group selectively cooperated with professional state-owned enterprises and well-established companies to outline a specific blueprint for resource development. The Group plans to steadily expand utilization of sustainable and renewable energy such as wind power and solar energy in idle areas available for use of the Group's mines in the future to reduce production costs and increase economic benefit as well as to develop a new business with economic growth.

To conclude, in 2015, the Group will selectively adjust its working plans in a timely manner in response to changes of market conditions, make more efforts to retain and foster talents, and endeavor to implement and evaluate the plans in order to pursue long-term development of the Group. The Group will try its best to maximize long-term and sustainable value for investors.

RESOURCES AND RESERVES OF MINES

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

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

Yangzhuang Iron Mine

1. Resource reporting cutoff grade: 15% TFe

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

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

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

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

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

7. Parameters for Short Hole Shrinkage mining method:

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

Reason for the changes in the resources and reserves estimates:

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

Zhuge Shangyu Ilmenite Mine

1. Resource reporting cutoff grade: 9.2% TiO_2 equivalent

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

3. Mineral resources are inclusive of the ore reserve.

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

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

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

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

Reason for the changes in the resources and reserves estimates:

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

Qinjiazhuang Ilmenite Project

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

There was no exploration or mining activity carried out in Qinjiazhuang Ilmenite Project from 1 January 2014 to 31 December 2015.

Based on (1) the resources and reserves under the JORC for the Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine and Qinjiazhuang Ilmenite Project as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012; and (2) the estimated amount of ores mined by the Group from November 2011 to December 2013, the Group's estimated resources and reserves as at 31 December 2015 were as follows:

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

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

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

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

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

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

Yangzhuang Iron Mine resources estimate as of 31 December 2015: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2015)***

Resources Category	**Resources** *(Mt)*	**SG** *(t/m³)*	**TFe** *(%)*	**mFe** *(%)*
Measured	11.3	3.25	26.0	10.6
Indicated	50.1	3.25	26.8	10.4
Total Measured and Indicated	61.4	3.25	26.6	10.4
Inferred	17.6	3.22	24.6	8.7
Total Resources	79.0	3.24	26.2	10.0

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

Zhuge Shangyu Ilmenite Mine resources estimate as of 31 December 2015: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2015)***

Resources Category	**Resources Tonnes** *(Mt)*	**SG** *(t/m³)*	**TiO_2** *(%)*	**TFe** *(%)*
Measured	372.8	3.19	6.23	14.04
Indicated	261.0	3.13	6.14	14.18
Total Measured and Indicated	632.8	3.17	6.19	14.10
Inferred	4.0	3.13	5.92	15.03
Total Resources	636.8	3.16	6.19	14.10

Qinjiazhuang Ilmenite Project resources estimate as of 31 December 2015: ***(Note: JORC mineral resources as of 31 December 2013, there was no mining activity or exploration activity carried out during 2014 and 2015)***

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

Luxing Titanium Mine

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

Reasons for the changes in the resources and reserves estimates:

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

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

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

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

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

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

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

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

Gaozhuang Shangyu Ilmenite Project

Gaozhuang Shangyu Ilmenite Project is located in Yishui County and Yinan County of Shandong Province, the PRC. Shandong Ishine has engaged an independent third party surveying agency to conduct preliminary exploration work in the Gaozhuang Shangyu Ilmenite Project and the work was completed in 2012. It has exploration rights over area of approximately 1.53 km^2, with the exploration term expiring in March 2017. According to Titanium Mine Detailed Survey Report in respect of the project, it was estimated that the exploration area had approximately 46.0 Mt of resources of Type 332 and 333 of ilmenite ores as at 2 September 2012 under PRC classification standard with an average grading of iron and titanium contents of approximately 12.4% and 6.8%. As there is no change in resources and reserves from October 2012 to December 2015, the Group did not have any plan to carry out mining work or other expansion plan.

EXPLORATION LICENCES IN AUSTRALIA

As at 31 December 2015, Ishine International owns 6 granted exploration licences located in Western Australia and 2 granted exploration licences located in South Australia, Australia.

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

Ishine international had not carried out other exploration activity in Australia during 2015.

The tenement expenditure was RMB2.6 million (approximately AUD0.5 million) and the capitalised tenement acquisition cost for Mt Watson was RMB3.3 million (approximately AUD0.6 million).

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

Western Australian Tenements

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

South Australia

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

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES AND COSTS

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

	Year ended 31 December	
	2015	2014
	Kt	*Kt*
Production Volume		
Feed tonnage	**442**	2,280

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Mining Costs		
Workforce employment	**11,639**	51,132
Transportation	**3,889**	17,087
Fuel, electricity, water and other services	**1,540**	6,767
Non-income taxes, royalties and other governmental charges	**2,042**	14,555
Subtotal	**19,110**	89,541
Processing Costs		
Workforce employment	**1,630**	21,114
Consumables	**1,129**	15,816
Fuel, electricity, water and other services	**6,909**	51,510
Administration	**2,631**	11,279
Transportation	**606**	6,199
Non-income taxes, royalties and other governmental charges	**8**	684
Subtotal	**12,913**	106,602
Total Mining and Processing Costs	**32,023**	196,143
Management Expenses		
Environmental protection and monitoring	**5,397**	6,402
Other administration cost	**43,230**	46,807
Product marketing and transportation	**1,650**	1,820
Non-income taxes, royalties and other governmental charges	**256**	316
Subtotal	**50,533**	55,345
Total Operating Expenses	**82,556**	251,488
Other Costs		
Depreciation and Amortisation	**28,093**	27,558
Total Production Costs	**110,649**	279,046

CONTRACTS AND COMMITMENTS

The Group has signed 8 new contracts with a total amount of RMB1.1 million during 2015. The details are summarised as below:

Yangzhuang Iron Mine

Type of contracts		Number of contracts signed	Total amount *RMB million*
(i)	Equipment suppliers	1	0.2
(ii)	Technical service	5	0.1
Total		6	0.3

Zhuge Shangyu Ilmenite Mine

Type of contracts		Number of contracts signed	Total amount *RMB million*
(i)	Technical service	2	0.8

FINANCIAL REVIEW

For the year ended 31 December 2015, the Group recorded revenue of approximately RMB294.5 million as compared with approximately RMB426.1 million for the year ended 31 December 2014, representing a decrease of approximately 30.9%. For the year ended 31 December 2015, approximately 62.4% of total sales were derived from trading of coarse iron powder, while the remaining approximately 35.8% of the Group's total sales consisted of the sales of iron concentrates and titanium concentrates produced by the Group's processing plants. The Group mainly sold iron concentrates and titanium concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron and titanium concentrates, the Group sold coarse iron powder to other customers engaged in trading and manufacturing of iron-related products in the PRC.

PRICES OF THE GROUP'S PRODUCTS

Iron Concentrates

The unit price of approximately 57% and 65% iron concentrates produced by the Group mainly depends on the iron content contained in the Group's iron concentrates and is affected by the market conditions, including but not limited to the global, PRC and Shandong supply of and the demand for iron ore products and the prosperity of the Shandong steel industry.

The Group's average unit selling price of 57% and 65% iron concentrates for the year ended 31 December 2015 was RMB433.5 and RMB479.3 per tonne respectively, representing a decrease of approximately 33.0% and 42.4% as compared with the average unit selling price of approximately RMB647.3 and RMB831.4 per tonne respectively for the year ended 31 December 2014. Such decrease was mainly due to the continuous slowdown of China's economy for the year ended 31 December 2015.

Titanium Concentrates

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

For the year ended 31 December 2015, the Group did not produce any titanium concentrates.

Revenue

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

	The year ended 31 December 2015 *RMB'000*		The year ended 31 December 2014 *RMB'000*	
Revenue				
Sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**48,164**	**16.4%**	145,318	34.1%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**1,213**	**0.4%**	1,960	0.5%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**4,168**	**1.4%**	9,204	2.2%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**51,955**	**17.6%**	138,590	32.5%
	105,500	**35.8%**	295,072	69.3%
Sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**9**	**0.0%**	2,612	0.6%
Sales from trading activities				
– from coarse iron powder	**183,692**	**62.4%**	125,582	29.5%
Others	**5,280**	**1.8%**	2,816	0.6%
	294,481	**100%**	426,082	100%

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

	The year ended 31 December 2015 *(Kt)*	The year ended 31 December 2014 *(Kt)*
Sales volume of iron concentrates produced by the Group		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**98.5**	185.4
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**2.3**	2.9
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**10.1**	14.4
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**110.4**	156.0
	221.3	358.7
Sales volume of titanium concentrates produced by the Group		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**0.01**	3.2
Sales volume of trading activities		
– from coarse iron powder	**417.0**	241.0
	638.3	602.9

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

	The year ended 31 December 2015		The year ended 31 December 2014	
	(Kt)	***(approximately)***	*(Kt)*	*(approximately)*
Iron concentrates produced by the Group				
Amount of iron concentrates produced from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**22.9**	**16.2%**	226.1	56.6%
Amount of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	–	–	4.5	1.1%
Amount of iron concentrates produced from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	–	–	16.6	4.1%
Amount of mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**118.5**	**83.8%**	152.4	38.2%
	141.4	**100%**	399.6	100%
Titanium concentrates produced by the Group				
Amount of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	–	–	6.7	62.4%
Amount of titanium concentrates produced from ilmenite ore of Luxing Titanium Mine – 20%-30% titanium concentrates	–	–	4.1	37.6%
	–	–	10.8	100%

During 2015, the Group has strategically reduced the sales and production of iron concentrates and titanium concentrates during the downturn of the steel market, in order to protect the resources of the Group. For the year ended 31 December 2015, revenue is mainly derived from sales of coarse iron powder to the Group's trading customers. Revenue is also derived from sales of iron concentrates produced by the Group.

The Group's revenue decreased by approximately RMB131.6 million, or 30.9%, to approximately RMB294.5 million for the year ended 31 December 2015, as compared with RMB426.1 million for the year ended 31 December 2014. The decrease in revenue was primarily due to (1) the decrease in sales of iron concentrates produced from iron ore of Yangzhuang Iron Mine by approximately RMB97.2 million; (2) the decrease in sales of mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by approximately RMB86.6 million; and (3) the decrease in sales of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine and ilmenite ore of Luxing Titanium Mine by approximately RMB0.7 million and RMB5.0 million respectively for the year ended 31 December 2015, which was offset by the increase in turnover by approximately RMB58.1 million from trading of coarse iron powder from approximately RMB125.6 million for the year ended 31 December 2014 to RMB183.7 million for the year ended 31 December 2015.

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

Sales derived from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder dropped by approximately 62.5% from approximately RMB138.6 million for the year ended 31 December 2014 to approximately RMB52.0 million for the year ended 31 December 2015 mainly as a result of the slowdown of China's economy, the decline in demand from steel makers in Shandong Province and the strategic decision of the management to decrease production volume and sales volume of the mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder.

The entire iron and steel market has demonstrated an ongoing downward moving trend as the economy in China continued to remain sluggish. The management has restructured the sales mix of products and increased trading activities. The total sales generated from trading activities significantly increased by approximately 46.3%, which was mainly due to the increase of trading turnover of coarse iron powder from approximately RMB125.6 million for the year ended 31 December 2014 to approximately RMB183.7 million for the year ended 31 December 2015.

Cost of Sales

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

	The year ended 31 December 2015 *RMB'000*		The year ended 31 December 2014 *RMB'000*	
Cost of Sales				
Cost of sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**51,464**	**15.6%**	143,746	33.8%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**1,287**	**0.4%**	2,401	0.6%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**4,515**	**1.4%**	12,040	2.8%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**64,106**	**19.5%**	136,433	32.1%
	121,372	**36.9%**	294,620	69.3%
Cost of sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**8**	**0.0%**	2,869	0.7%
Cost of sales of trading activities				
– from coarse iron powder	**205,115**	**62.3%**	125,287	29.4%
Others	**2,729**	**0.8%**	2,462	0.6%
	329,224	**100%**	425,238	100%

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

Total cost of sales decreased by approximately RMB96.0 million, or approximately 22.6%, to RMB329.2 million for the year ended 31 December 2015, as compared with 425.2 million for the year ended 31 December 2014. Such decrease was consistent with the decrease in the Group's revenue during the year ended 31 December 2015, which was mainly due to (1) the decrease in the sales volume of iron concentrates produced from iron ore of Yangzhuang Iron Mine, ilmenite ore of Zhuge Shangyu Ilmenite Mine and ilmenite ore of Luxing Titanium Mine by 91.8Kt for the year ended 31 December 2015; and (2) the decrease in sales volume of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder by 45.6 Kt for the year ended 31 December 2015.

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

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

	The year ended 31 December 2015 *RMB'000*		The year ended 31 December 2014 *RMB'000*	
Gross (loss)/profit				
Gross (loss)/profit of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**(3,300)**	**9.5%**	1,572	186.3%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**(74)**	**0.2%**	(441)	(52.3)%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**(347)**	**1.0%**	(2,835)	(335.9)%
– from mixing iron concentrates purchased from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**(12,151)**	**35.0%**	2,155	255.3%
	(15,872)	**45.7%**	451	53.4%
Gross (loss)/profit of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**1**	**0.0%**	(256)	(30.3)%
Gross (loss)/profit of trading activities				
– from coarse iron powder	**(21,423)**	**61.7%**	296	35.1%
Others	**2,551**	**(7.4)%**	353	41.8%
	(34,743)	**100%**	844	100%

	The year ended 31 December 2015	The year ended 31 December 2014
Gross (loss)/profit margin		
Gross (loss)/profit margin of iron concentrates		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**(6.9)%**	1.1%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**(6.1)%**	(22.5)%
– from ilmenite ore of Luxing Titanium Mine (57% iron concentrates)	**(8.3)%**	(30.8)%
– from mixing iron concentrates purchase from other suppliers and/or produced from coarse iron powder (65% iron concentrates)	**(23.4)%**	1.6%
Gross profit/(loss) margin of titanium concentrates		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**11.1%**	(9.8)%
Gross (loss)/profit margin of trading activities of coarse iron powder	**(11.7)%**	0.2%
Others	**48.3%**	12.5%
Overall gross (loss)/profit margin	**(11.8)%**	0.2%

Gross profit decreased by approximately RMB35.5 million from the gross profit of approximately RMB0.8 million for the year ended 31 December 2014 to the gross loss of approximately RMB34.7 million for the year ended 31 December 2015. The main reasons for the decline were (1) the decrease in gross profit of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from the coarse iron powder by approximately RMB14.4 million from the gross profit of approximately RMB2.2 million for the year ended 31 December 2014 to the gross loss of approximately RMB12.2 million for the year ended 31 December 2015; (2) the decrease in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB4.9 million from the gross profit of approximately RMB1.6 million for the year ended 31 December 2014 to the gross loss of approximately RMB3.3 million for the year ended 31 December 2015; and (3) the decrease in gross profit of trading of coarse iron powder by approximately RMB21.7 million from the gross profit of approximately RMB0.3 million for the year ended 31 December 2014 to the gross loss of approximately RMB21.4 million for the year ended 31 December 2015.

Overall gross profit margin decreased from 0.2% to gross loss margin of 11.8% for the year ended 31 December 2015 as compared with that for the year ended 31 December 2014. The decrease in overall gross profit margin was primarily due to the sluggish global economy, especially the economic slowdown and the decrease in domestic demand in China, together with a substantial increase in production volume of the four largest mining companies in the world, which increased the supply of iron ore products and resulted in the decline of the price. The average unit selling price of the 65% iron concentrates declined by 42.4% from approximately RMB831.4 per tonne for the year ended 31 December 2014 to approximately RMB479.3 per tonne for the year ended 31 December 2015.

Other losses, net

The Group's other losses were approximately RMB12.4 million for the year ended 31 December 2015 as compared with that of approximately RMB15.8 million for the year ended 31 December 2014, which was mainly due to a decrease in the loss from issuance of non-listed warrants from approximately RMB17.0 million for the year ended 31 December 2014 to approximately RMB13.5 million for the year ended 31 December 2015. On 1 June 2015, 140,000,000 non-listed warrants were issued at par value of RMB0.0016 each and the exercise price was RMB0.319.

Finance costs, net

Net finance costs mainly represented interest expense on bank loans, bonds, and discount of bank acceptance notes of the Group, offset by interest income on bank deposits. Finance costs decreased from approximately RMB21.8 million for the year ended 31 December 2014 to approximately RMB21.6 million for the year ended 31 December 2015.

Total comprehensive loss

The total comprehensive loss attributable to owners of the Company was approximately RMB261.4 million for the year ended 31 December 2015, representing an increase of approximately RMB182.7 million or approximately 232.1% as compared to that of approximately RMB78.7 million for the year ended 31 December 2014. This was mainly due to (1) the gross profit decreased by approximately RMB35.5 million from the gross profit of approximately RMB0.8 million for the year ended 31 December 2014 to the gross loss of approximately RMB34.7 million for the year ended 31 December 2015. The main reasons for the decline were (i) the decrease in gross profit of iron concentrates produced from mixing iron concentrates purchased from other suppliers and/or produced from the coarse iron powder by approximately RMB14.4 million from the gross profit of approximately RMB2.2 million for the year ended 31 December 2014 to the gross loss of approximately RMB12.2 million for the year ended 31 December 2015; (ii) the decrease in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB4.9 million from the gross profit of approximately RMB1.6 million for the year ended 31 December 2014 to the gross loss of approximately RMB3.3 million for the year ended 31 December 2015; and (iii) the decrease in gross profit of trading of coarse iron powder by approximately RMB21.7 million from the gross profit of approximately RMB0.3 million for the year ended 31 December 2014 to the gross loss of approximately RMB21.4 million for the year ended 31 December 2015; (2) the loss from issuance of non-listed warrants of approximately RMB13.5 million. On 1 June 2015, 140,000,000 non-listed warrants were issued at par value of RMB0.0016 each and the exercise price was RMB0.319; and (3) the increase in the impairment loss of assets by approximately RMB118.8 million from approximately RMB17.8 million for the year ended 31 December 2014 to approximately RMB136.6 million for the year ended 31 December 2015.

Ishine International

Ishine International, the Company's non-wholly owned subsidiary, is principally engaged in the business of the exploration of mineral resources in Australia, and its shares are listed on the ASX. The principal activity in 2015 was exploration activities. Net loss incurred by Ishine International for the year ended 31 December 2015 was approximately RMB1.9 million as compared to net loss of approximately RMB7.6 million for the year ended 31 December 2014.

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2015 is HK$8,853,715.84 divided into 4,426,857,920 shares with par value of HK$0.002 each.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings divided by the aggregate amount of total equity and total borrowings) as at 31 December 2015 was approximately 30.2% (as at 31 December 2014: approximately 23.6%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2015 was approximately 1.9 times (as at 31 December 2014: approximately 2.2 times).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the total amount of the borrowings of the Group was approximately RMB270.8 million (as at 31 December 2014: approximately RMB222.0 million). The Group settled borrowings in the amount of approximately RMB217.6 million for the year ended 31 December 2015. The Group's cash and bank balances amounted to approximately RMB98.1 million as at 31 December 2015 (as at 31 December 2014: approximately RMB142.0 million).

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisition, disposal or investment by the Group during the year ended 31 December 2015.

FUND RAISING ACTIVITIES AND ISSUANCE OF SHARES

On 1 March 2015, the Company entered into a subscription agreement (as supplemented by a supplemental deed dated 2 March 2015) with X. Mining Resources Group Limited (the "**Subscriber**") for the subscription by the Subscriber of (i) 392,000,000 new shares of HK$0.002 each in the capital of the Company ("**Shares**") at the subscription price of RMB0.304 (equivalent to approximately HK$0.384) per Share ("**Share Subscription**"); and (ii) 140,000,000 units of unlisted warrants at the issue price of RMB0.016 (equivalent to approximately HK$0.02) per warrant ("**Warrant Subscription**").

The Share Subscription was completed on 16 March 2015, and 392,000,000 subscription Shares were issued pursuant to the general mandate granted by the shareholders of the Company at the extraordinary general meeting held on 27 October 2014. A net proceeds from the Share Subscription of HK$150,000,000 was raised. The net price per subscription Share was approximately HK$0.383. As at the date of this report, the proceeds were not yet utilized.

The warrants conferring its holder the right to subscribe for an aggregate of 140,000,000 Shares at the subscription price (subject to adjustments) of RMB0.319 (equivalent to approximately HK$0.402) per Share for a period of 12 months commencing from the date of issuance of the warrants. The Warrant Subscription was approved by the shareholders of the Company at the extraordinary general meeting held on 27 May 2015, and was completed on 1 June 2015. A net proceeds of approximately HK$2,750,000 from the Warrant Subscription in respect of the issuance of the warrant at the issue price of RMB0.016 was raised. As at the date of this report, the net proceeds were not yet utilized.

For further details of the above Share Subscription and Warrant Subscription, please refer to the announcement of the Company dated 2 March 2015 and the circular of the Company dated 11 May 2015.

During the year ended 31 December 2015, an aggregate of 127,000,000 Shares have been issued upon exercise of the subscription rights attaching to the warrants issued by the Company on 17 July 2014 at the adjusted exercise price of HK$0.338 per Share. 289,500,000 units of unexercised warrants were expired on 17 July 2015. A further net proceeds of approximately HK$42.8 million (i.e. approximately HK$0.337 per Share) was raised. The aggregate nominal value of the warrants converted into ordinary shares during the year ended 31 December 2015 was HK$254,000. The Company has utilised the net proceeds as general working capital of the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGING

Shandong Ishine, Luxing Titanium and Ever Grand, operating in the PRC, and Ishine International, operating in Australia, are four major subsidiaries of the Company. Almost all of the transactions of Shandong Ishine, Luxing Titanium and Ever Grand, and Ishine International are denominated and settled in their respective functional currencies, i.e. RMB and AUD respectively.

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

PLEDGE OF GROUP ASSETS

As at 31 December 2015, bank borrowings of RMB100.0 million were secured by the mining right of Shandong Ishine, in Shandong Province, the PRC.

As at 31 December 2015, bank borrowings of RMB40.0 million were secured by the mining right and trade receivables of Shandong Ishine, in Shandong Province, the PRC, and trade receivables with carrying amount of RMB60.4 million.

EXPLORATION COMMITMENTS AND CAPITAL COMMITMENTS

Ishine International has obligations under its exploration licence to spend a minimum amount of exploration expenditures on projects. The obligations may vary from time to time subject to the approval from the relevant government authorities. Due to the nature of Ishine International's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditures may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or any new joint venture agreements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. The total tenement commitment for Ishine International as at 31 December 2015 was approximately RMB2.4 million (equivalent to approximately AUD 0.5 million) compared to approximately RMB8.8 million as at 31 December 2014 (equivalent to approximately AUD1.8 million).

As at 31 December 2015, Shandong Ishine has capital commitments of approximately RMB5.8 million (as at 31 December 2014: RMB5.9 million) for property, plant and equipment. These commitments have been made during the year ended 31 December 2015 but have not been paid.

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 31 December 2015, the Group had a total of 212 employees (as at 31 December 2014: 427 employees). The employees of the Group were remunerated based on their experiences, qualifications, the Group's performance and the market conditions. During the year ended 31 December 2015, staff costs (including Directors' remunerations) amounted to approximately RMB14.2 million (2014: approximately RMB24.1 million).

CONTINGENT LIABILITIES

As at 31 December 2015, the Group has no material contingent liabilities.

USE OF IPO PROCEEDS

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

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

2016 DEVELOPMENT AND FUTURE PLANS

I. Production and operation

1. Yangzhuang Iron Mine

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

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

2. Zhuge Shangyu Ilmenite Mine

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

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

If the market recovers, the Group will increase its investment in the 2.0 Mt processing line and production line in the mine since 2013 and commence operation in the current year. If the market remains stagnant and less profitable or not profitable at all, the Group will reduce its investments. The construction schedule of the mine will be based on the market conditions.

3. Qinjiazhuang Ilmenite

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

4. Luxing Titanium

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

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

II. New business relating to clean energy

The Group will actively seek for new breakthrough on the basis of maintaining the existing mines. It will invest in construction of photovoltaic project to achieve new progress in the development of clean energy business.

In 2016, the Group may take advantages of the unique locations of its own mines and availability of resources such as solar energy in the investment and construction of the new clean energy industry as encouraged by national policies, so as to achieve breakthrough in profit growth.

III. Business relating to capital markets and others

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

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

IV. Technological innovation and other business

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

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

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

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

V. Fuel oil business

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

VI. Maintenance of green mines

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

VII. Harmonious community development

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

VIII. Culture building of mining company

The Group will enhance the internal promotion of green mining. It will practise green mining throughout the daily operation of the mines and incorporate its corporate culture in daily management. It will educate its employees on the culture of the Group so that the idea will integrate into their practices without them knowing. The Group will offer a wide range of activities to enhance staff quality and in turn improve the core competitiveness of the Company. It will establish a comprehensive skills training system and organise regular trainings with the aim to enhance the professional skills of staff. The Company sees occupational skills training as the driving force of corporate development, meanwhile, it will enhance the people-oriented staff management by focusing on improving the staff quality as well as work efficiency and quality.

IX. Ecological restoration

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

X. Safety in production of mines

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

The plans and measures for 2016 are set out above. The Group will timely adjust its working plan in due course based on market change in the upcoming year. It will strive to maintain green mines and actively seek for new sources of profit growth, with a view to reward the shareholders and enhance investors' confidence.

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. In the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in the CG Code throughout the year ended 31 December 2015.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

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

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

Executive Directors

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

Non-executive Director

Ms. Chau Ching

Independent non-executive Directors

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

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 81 to 83 under the section headed "Biographical Details of Directors and Senior Management".

Board Meetings

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

During the year ended 31 December 2015, the Board held 5 meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were also given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	Number of attendance
Mr. Li Yunde	5/5
Mr. Geng Guohua	5/5
Ms. Chau Ching*	N/A
Mr. Lang Weiguo	5/5
Mr. Li Xiaoyang	5/5
Mr. Lin Chu Chang	5/5
Mr. Zhang Jingsheng	5/5

* Ms. Chau Ching was appointed as a non-executive Director on 30 March 2016.

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

General Meetings

During the year ended 31 December 2015, one annual general meeting ("2015 AGM") and one extraordinary general meeting of the Company were both held on 27 May 2015.

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

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

* Ms. Chau Ching was appointed as a non-executive Director on 30 March 2016.

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. Mr. Li Yunde, the Chairman of the Company and the chairman of the nomination committee of the Company ("the Nomination Committee") and Mr. Lin Chu Chang, the chairman of the audit committee of the Company (the "Audit Committee") and the remuneration committee of the Company (the "Remuneration Committee") attended the 2015 AGM to answer questions and collect views of shareholders.

Directors' Training

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

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in training relating to the Listing Rules and corporate governance matters or attending seminars relating to their role as a director of listed issuer. Each of the Directors has provided a record of training they received for the year ended 31 December 2015 to the Company.

CHAIRMAN AND CHIEF EXECUTIVE

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

NOMINATION COMMITTEE

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

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

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

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

During the year ended 31 December 2015, the Nomination Committee held one meeting. The Nomination Committee reviewed the Board composition, assessed the independence of the independent non-executive Directors and made recommendation on the re-election of Directors.

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

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

REMUNERATION COMMITTEE

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

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

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

During the year ended 31 December 2015, the Remuneration Committee held one meeting. The Remuneration Committee reviewed the remuneration of Directors and the senior management.

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

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

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

The emolument payable to the Directors and senior management will depend on their respective contractual terms under employment contracts, if any, and will be fixed by the Board after taking into account the recommendation from the Remuneration Committee, the performance of the Group and the prevailing marketing conditions. Details of the remuneration of the Directors and senior management for the year ended 31 December 2015 are set out in note 42 to the consolidated financial statements.

AUDIT COMMITTEE

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

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

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

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

During the year ended 31 December 2015, the Audit Committee held two meetings.

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

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

During the year ended 31 December 2015, the Audit Committee reviewed, among others, the 2014 annual results and the 2015 interim results of the Group. The Audit Committee was in the opinion that the preparation of such consolidated financial statements complied with the applicable accounting standards and the Listing Rules.

The Audit Committee noted the existing internal control system of the Group and also noted that review of the same shall be carried out on an on-going basis.

CORPORATE GOVERNANCE FUNCTIONS

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

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

During the year ended 31 December 2015, the Board has reviewed the Company's policies and practices on corporate governance, the training and continuous professional development of the Directors and senior management as well as the Company's compliance with the CG Code.

AUDITORS' REMUNERATION

For the year ended 31 December 2015, the remuneration paid/payable to the Company's auditor, PricewaterhouseCoopers, is as follows:

	RMB'000
Services rendered	
Audit services	3,299
Non-audit services	–
	3,299

COMPANY SECRETARY

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

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

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

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the year ended 31 December 2015.

SHAREHOLDERS' RIGHTS

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

Shareholders to convene an extraordinary general meeting

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

Putting enquiries by shareholders to the Board

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

Procedures for putting forward proposals by shareholders at shareholders' meetings

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

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

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

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2016 AGM will be voted by poll.

INVESTOR RELATIONS

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

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

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

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

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

Constitutional Documents

There had been no changes in the constitutional documents of the Company during the year ended 31 December 2015.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2015, the Board has selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

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

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

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

INTERNAL CONTROL

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

During the year ended 31 December 2015, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review on an on-going basis.

SENIOR MANAGEMENT'S REMUNERATION

Senior management's remuneration payment of the Group in the year ended 31 December 2015 falls within the following bands:

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

Report of the Directors

The Directors of the Company are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

Environmental Policies and Performance

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

The Company has presented its first environmental, social and governance report. Further information relating to the environmental policies and performance of the Group during the year 2015 is set out in "Environmental, Social and Governance Report 2015".

Compliance with Laws and Regulations

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

Relationship with Stakeholders

The success of the Group depends on the support from key stakeholders. Further details of the relationships of the Group with stake holders are set out in "Environmental, Social and Governance Report 2015".

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 December 2015 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 85 to 152.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the Shareholders to attend and vote at the annual general meeting of the Company to be held on Monday, 23 May 2016 ("2016 AGM"), the register of members of the Company will be closed from Friday, 20 May 2016 to Monday, 23 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2016 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 May 2016.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2015 are set out in note 17 to the consolidated financial statements.

SHARES ISSUED

During the year, the Company has issued 127,000,000 shares of HK$0.002 each pursuant to the exercise of the subscription rights attaching to the unlisted warrants issued by the Company on 17 July 2014. A total subscription monies of HK$42,926,000 have been received by the Company.

The Company has issued 392,000,000 shares of HK$0.002 each on 16 March 2015 pursuant to the conditional subscription agreement entered into by the Company on 1 March 2015.

DEBENTURES ISSUED

The Group has not issued any debenture during the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015 (2014: nil).

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB23,905,000 (2014: RMB59,047,000).

DIRECTORS

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

Executive Directors

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

Non-executive Director

Ms. Chau Ching

Independent non-executive Directors

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

In accordance with Article 108 of the Articles, Mr. Li Yunde and Mr. Zhang Jingsheng shall retire from office at the 2016 AGM by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 112 of the Articles, Ms. Chau Ching shall retire from office at the 2016 AGM and, being eligible, offers herself for re-election.

INDEPENDENCE CONFIRMATION

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

SHARE OPTION SCHEME

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

The principal terms of the Scheme are summarised as follows:

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

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

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

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

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

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

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

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

As at 31 December 2015, a total of 5,000,000 options over unissued ordinary shares of Ishine International, a wholly-owned subsidiary of the Company, have expired.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2015 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service agreement with the Company on 9 April 2012 for an initial fixed term of three years commencing from the Listing Date which were expired on 8 April 2015. Each of the executive Directors entered into a new service agreement with the Company on 27 March 2015 for a further term of three years commencing from 9 April 2015 unless terminated by not less than three months' notice in writing served by either party on the other or in accordance with the provisions set out in the respective service agreement. Each of the executive Directors may receive a discretionary bonus, the amount of which will be determined by the Board with reference to the recommendations of the Remuneration Committee.

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

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

None of the Directors proposed for re-election at the 2016 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as those disclosed in the section headed "Connected Transactions", none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2015, nor any contract of significance has been entered into during the year ended 31 December 2015 between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries.

CHARITABLE DONATIONS

During the year, the Group did not have charitable donation (2014: nil).

EQUITY-LINKED AGREEMENTS

Save for the Scheme as set out above in this report, other equity-linked agreement entered into by the Group during the year or subsisting at the end of the year are set out in the section headed "FUND RAISING ACTIVITIES AND ISSUANCE OF SHARES" under "Management Discussion and Analysis" and also note 17 to the financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2015.

COMPETING INTERESTS

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

The Board has established a review committee (the "Committee") comprising all the independent non-executive Directors which was delegated with the authority to review on an annual basis of the non-competition undertaking given by Mr. Li Yunde ("Mr. Li") and Hongfa Holdings Limited (collectively, the "Covenantors") in the deeds of non-competition (the "Deeds of Non-competition") entered into by, among others, the Covenantors dated 9 April 2012. An extract of the material terms of the Deeds of Non-competition had been set out in the Prospectus. The Covenantors confirmed that (a) they have provided all information necessary for the enforcement of the Deeds of Non-competition as requested by the Committee from time to time; and (b) from the effective date of the Deeds of Non-competition, i.e. 9 April 2012 and up to 31 December 2015, they had complied with the Deeds of Non-competition. The Committee also confirmed that they were not aware of any non-compliance with the Deeds of Non-competition by the Covenantors during the same period.

RETIREMENT SCHEMES

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

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2015, the interest or short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or pursuant to the Model Code, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, are set out below:

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

Name of Director	Capacity/ Nature of Interest	Long Position/ Short Position	Number of Ordinary Shares held	Approximate percentage of interest
Mr. Li	Interest of controlled corporation	Long position	2,035,642,660 *(Note 1)*	45.98%
Mr. Lang Weiguo	Interest of controlled corporation	Long position	665,850,000 *(Note 2)*	15.04%

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

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

Notes:

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

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

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

Save as disclosed above, as at 31 December 2015, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 31 December 2015, so far as is known to any Director, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name of Director	Capacity/ Nature of Interest	Long Position/ Short Position	Number of Ordinary Shares held	Approximate percentage of interest
Hongfa Holdings Limited	Beneficial owner	Long position	2,035,642,660	45.98%
Ms. Zhang	Interest of spouse	Long position	2,035,642,660 *(Note 1)*	45.98%
Novi Holdings Limited	Beneficial owner	Long position	532,650,000	12.03%
X. Mining Resources Group Limited	Beneficial owner	Long position	467,000,000 *(Note 2)*	10.55%
Mr. Wu Pun Yan ("Mr. Wu")	Interest of controlled corporation	Long position	467,000,000 *(Note 3)*	10.55%
	Beneficial owner	Long position	12,000,000	0.27%

Notes:

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

2. These 467,000,000 Shares include 140,000,000 Shares derived from the 140,000,000 units unlisted warrants ("Unlisted Warrants") issued by the Company entitling X. Mining Resources Group Limited to subscribe for one Share for each Unlisted Warrant. Details of the Unlisted Warrants are set out in the circular to shareholders dated 11 May 2015.

3. Mr. Wu beneficially holds the entire issued share capital of X. Mining Resources Group Limited which in turn beneficially holds 467,000,000 Shares. For the purpose of SFO, Mr. Wu is deemed or taken to be interested in all the Shares held by X. Mining Resources Limited.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2015.

CONNECTED TRANSACTIONS

Trademark License Agreement

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

Provision of Financial Assistance

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

Key Management Compensation

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, approximately 59% of the Group's turnover and approximately 82% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively. Approximately 30% of the Group's turnover and approximately 29% of the Group's purchases were attributable to the Group's largest customer and the Group's largest supplier, respectively. To the best knowledge of the Directors, none of the Directors or chief executive of the Company or any shareholder owning more than 5% of the Company's share capital or their respective associates, had any interest in the Group's five largest customers or five largest suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2015.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2012 with written terms of reference in compliance with the CG Code, which currently comprises three independent non-executive Directors, namely Mr. Lin Chu Chang (as chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The Audit Committee is mainly responsible for the relationship with the Company's auditor, review of the Company's financial information and monitoring of the Company's financial reporting system and internal control procedures. The Audit Committee has reviewed this annual report and the audited annual financial statements for the year ended 31 December 2015 before such documents were tabled for the Board's review and approval, and is of the opinion that such documents complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 63 to 71 of this annual report.

AUDITORS

PricewaterhouseCoopers has acted as auditor of the Company for the year ended 31 December 2015. The Company has not changed its external auditor during the past three years. A resolution will be submitted to the 2016 AGM to re-appoint PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board
China Zhongsheng Resources Holdings Limited

Li Yunde
Chairman

Hong Kong, 30 March 2016

EXECUTIVE DIRECTORS

Mr. Li Yunde ("Mr. Li"), aged 49, was appointed as a Director on 8 February 2011 and redesignated as an executive Director of the Company on 9 April 2012. Mr. Li is also the Chairman of the Board, and a director of all of the subsidiaries of the Group, except Fortuneshine Investment Ltd. and Shine Mining Investment Limited. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. He is primarily responsible for the Group's overall strategic planning, business development and management. Mr. Li has over 20 years of experience in iron ore exploration, mining and processing in Shandong Province, the PRC. Mr. Li graduated from Shandong University (山東大學) in July 2002, majoring in Marketing (市場行銷). He has also completed the China Private Enterprise Entrepreneur Training (中國民營企業總裁研修) held by Tsinghua University (清華大學) in March 2005. He has been the Chairman of the Board of the Association of Industry and Commerce of Linyi City, Yishui County, Shandong Province (沂水縣工商業聯合會). Mr. Li was awarded the "Outstanding Member of the National People's Congress of Linyi City (臨沂市優秀人大代表)" in February 2007 by the Standing Committee of the National People's Congress of Linyi City and the "Model Worker of Shandong Province (山東省勞動模範)" in April 2008 by the People's Government of Shandong Province. Since November 2012, Mr. Li has been the Vice-President of China Mining Association (中國礦業聯合會) Australian Branch, and was elected as the Representative of the National People's Congress of Shandong Province in January 2013. He has been the Standing Director of China Federation of Industry & Commerce (全國工商業聯合會) Metallurgy Branch. He has also been the Standing Director of the Chinese Enterprises Investment Association since 2013 and also the Vice-Chairman of the board of directors of the Listed Companies Council of the Hong Kong Chinese Enterprises Association since November 2015.

Mr. Geng Guolun ("Mr. Geng"), aged 46, was appointed as the Chief Executive Officer of the Company on 14 May 2013, and an executive Director of the Company on 9 April 2012. He was the Chief Operating Officer of the Company from 9 April 2012 to 2 May 2014. Mr. Geng was the chief operating officer of Shandong Ishine Mining Industry Co., Ltd. (山東興盛礦業有限責任公司) ("Shandong Ishine") from 2007 to 2 May 2014, an indirect wholly-owned subsidiary of the Company, and has been a director of Shandong Ishine since November 2010 during which he has acquired relevant experience in the operation of iron and ilmenite mines and participated in trainings relating to mining, production, management and geology organised by Tsinghua University and University of Toronto. He is primarily responsible for the Group's overall operation. Mr. Geng began his career in 1989 and worked at different managerial levels in Shandong Liaherd Chemical Industry Co., Ltd. (山東聯合化工股有限公司). From 1999 to 2003, he worked as a management person of Shandong Fuyuan Leather Group Ltd. (山東富源皮革集團有限公司) and was responsible for its technical services, production and sales management. He had been the deputy general manager in charge of production of Beijing Huiyuan Juice Group Limited (北京匯源果汁集團有限公司) (currently known as China Huiyuan Juice Group Limited (中國匯源果汁集團有限公司), a company listed on the Stock Exchange (stock code: 1886)) from 2003 to 2007 and was responsible for its general management. Mr. Geng graduated at Correspondence Institute of the Party School of Central Committee of Communist Party of China (中共中央黨校函授學院) majoring in Law in December 2001. Mr. Geng was accredited as a Human Resources Developments and Project Technician (Enterprise Human Resource Management) (人力資源開發管理工程技術人員(企業人力資源管理人員)) in October 2003 by the Occupational Skill Testing Authority (職業技能鑒定(指導)中心) of Shandong Province, the PRC. He has been a director of the Chinese Enterprises Investment Association since 2013 and the deputy president of the Listed Companies Council of the Hong Kong Chinese Enterprises Association since December 2015.

Mr. Lang Weiguo, ("Mr. Lang"), aged 57, was appointed as an executive Director on 9 April 2012. He joined the Group in 2010 and has been the vice chairman of the board of directors of Shandong Ishine since November 2010. He is primarily responsible for the Group's business development and investment. Mr. Lang is also a director of Fortuneshine Investment Ltd. and Shine Mining Investment Limited, both of which are the subsidiaries of the Group. He received a bachelor degree in Engineering from Agriculture University of Heilongjiang (黑龍江八一農墾大學) in July 1982 and further obtained his master's and doctorate degrees in Engineering from University of Saskatchewan in Canada in May 1989 and May 1993, respectively. From 1999 to 2004, he had been the president and a director of Q-Net Technologies Co., Ltd., a company which was quoted on the Over-The-Counter Bulletin Board Trading System ("OTCBB") (symbol: QNTI) in the United States of America, responsible for its general management and business development. From 2004 to 2005, he became the chairman of the board of directors of Savoy Resources Co., Ltd., a company quoted on the National Association of Securities Dealers Over-The-Counter Bulletin Board (symbol: SVYR) in the United States of America, responsible for its business development. From 2003 to 2008, he acted as a director of Vendtek Systems Inc., a company listed on Toronto Stock Exchange Venture (symbol: VSI) in Canada, responsible for its business development. From 2007 to 2011, Mr. Lang had also been a director of Zhongrun (Tianjin) Mining Development Co., Ltd (中潤(天津)礦業開發有限公司), a PRC company principally engaged in the development and exploration of metal mines and resources, and relevant consultancy services, responsible for its business development. Since June 2015, Mr. Lang has become the Director, CEO & President of Ultra Lithium Inc., a company listed on Toronto Stock Exchange Venture (Symbol: ULI) in Canada.

NON-EXECUTIVE DIRECTOR

Ms. Chau Ching ("Ms. Chau), aged 46, graduated from Hangzhou University (now known as Zhejiang University) with bachelor's degree in Tourism Economic in 1991. Ms. Chau has over 20 years in the business of tourism, import and export of textile products and foodstuff, international trading of iron ore and steel products, bulk carrier chartering business, property investment and management as well as resources investment holding business.

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

Ms. Chau has now been acted as company secretary of the Hong Kong subsidiary of Shandong Energy Group-Rocklands Richfield (Hong Kong) Limited. She has also been acted as general manager and director for her serviced company and its several related companies as per above and is responsible for management of daily operation of several investment business in respect of resources holding, property investment and management, tourism and retirement resort by her serviced company in China, Hong Kong, Australia and Papua New Guinea.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Xiaoyang ("Mr. Li XY"), aged 60, was appointed as an independent non-executive Director on 9 April 2012. He is a member of each of the Audit Committee and the Nomination Committee. Mr. Li XY graduated from Central South Institute of Mining and Metallurgy (中南礦冶學院) (currently known as Central South University (中南大學)) in July 1978, majoring in Metallurgical Analytical Chemistry (冶金分析化學). He also obtained a master's degree of Regional Economics Management (區域經濟管理) granted by Beijing Normal University (北京師範大學) in December 2002. From 1980 to 2000, he worked in Kunming Institute of Metallurgy (昆明冶金研究院) and was appointed as an engineer, and a senior engineer in 1986 and 1996, respectively, focusing on the research and technical development of metallurgy.

Mr. Zhang Jingsheng ("Mr. Zhang"), aged 70, was appointed as an independent non-executive Director on 9 April 2012. He is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. He has been an independent director of Shandong Ishine since 2008. He worked as an engineer, manager, deputy dean and dean of Changsha Research Institute of Mining and Metallurgy (長沙礦冶研究院) currently known as the Changsha Research Institute of Mining and Metallurgy Limited (長沙礦冶研究院有限公司) from 1981 to 2007, and was primarily responsible for human resources and financials. Mr. Zhang has been awarded various prizes in relation to ore dressing which include (among others):

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

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

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

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

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

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

Mr. Lin Chunchang ("Mr. Lin"), aged 46, was appointed as an independent non-executive Director on 9 April 2012. He is the chairman of the Audit Committee and the Remuneration Committee. He graduated from The University of Hong Kong (香港大學) in November 1991 with a Bachelor of Science degree. Mr. Lin has previously held senior positions with various companies, including companies listed on the Stock Exchange, and has gained extensive experience in reviewing and analysing financial statements of public and private companies. Between 1994 and 1996, he was a China business analyst of ChinaVest Limited, a venture capital firm, responsible for conducting research and analysis for the company. From 1997 to 2001, Mr. Lin was a vice president of the research department of Merrill Lynch (Asia-Pacific Region), responsible for analyzing various listed companies. He was the chief financial officer of China Resources Land Limited, a company listed on the Stock Exchange (stock code: 01109), from 2002 to 2006 and Longfor Properties Co. Ltd., a company listed on the Stock Exchange (stock code: 00960), from 2006 to 2010, responsible for treasury and financial reporting to the Board of the companies. Mr. Lin was an executive director of Longfor Properties Co. Ltd. between 2008 and 2010, responsible for its financial management and investor relationships. He has also been an independent non-executive director of Shenzhen Expressway Company Limited, a company listed on the Stock Exchange (stock code: 00548) since March 2012.

SENIOR MANAGEMENT

Ms. Chan Wing Ki Michele ("Ms. Chan"), aged 34, was appointed as the Financial Controller of the Company on 9 April 2012. Ms. Chan graduated from Macquarie University, Sydney, Australia with Bachelor of Commerce (Accounting). She also obtained a Postgraduate Diploma, majoring in Commerce, granted by the University of Sydney, Sydney, Australia in October 2006. Ms. Chan was admitted as a Certified Practising Accountant of the Certified Practising Accountants, Australia in December 2009.

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

COMPANY SECRETARY

Ms. Chan Yuen Ying, Stella ("Ms. Stella Chan"), aged 44, was appointed as the company secretary of the Company on 9 April 2012. Ms. Stella Chan is a fellow member of the Institute of Chartered Secretaries and Administrators and a fellow member of the Hong Kong Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors. Ms. Stella Chan has over 15 years' experience in handling listed company secretarial matters.

Independent Auditor's Report

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

We have audited the consolidated financial statements of China Zhongsheng Resources Holdings Limited (the "Company") and its subsidiaries set out on pages 85 to 152, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2016

Consolidated Balance Sheet

(Amounts expressed in thousands of RMB)

	Note	As at 31 December 2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	352,930	391,926
Intangible assets	*7*	61,287	131,366
Available-for-sale financial assets	*8*	432	416
Deferred income tax assets	*9*	8,432	8,914
Long-term receivables	*10*	58,264	–
		481,345	532,622
Current assets			
Inventories	*11*	39,796	78,785
Trade receivables	*12*	133,619	201,128
Notes receivables	*13*	91,800	31,750
Prepayments and other receivables	*14*	39,987	76,243
Current portion of long-term receivables	*10*	14,689	–
Financial assets at fair value through profit or loss	*15*	22,895	–
Cash and cash equivalents	*16*	98,090	142,024
Term deposits	*16*	100,000	–
Restricted bank deposits	*16*	45,000	1,550
		585,876	531,480
Total assets		1,067,221	1,064,102
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	*17*	628,066	473,696
Reserves	*18*	64,388	65,195
(Accumulated losses)/Retained earnings	*19*	(68,152)	177,900
		624,302	716,791
Non-controlling interests		1,426	3,397
Total equity		625,728	720,188

Consolidated Balance Sheet

(Amounts expressed in thousands of RMB)

	Note	As at 31 December 2015	2014
LIABILITIES			
Non-current liabilities			
Borrowings	23	**100,827**	50,764
Provisions for close down, restoration and environmental costs	24	**25,759**	24,654
Deferred income tax liabilities	9	**2,366**	21,489
		128,952	96,907
Current liabilities			
Borrowings	23	**170,000**	171,280
Trade payables	20	**47,654**	40,361
Notes payables	21	**50,000**	630
Accruals and other payables	22	**42,388**	32,315
Dividend payables	25	**1,337**	1,259
Current income tax liabilities		**1,162**	1,162
		312,541	247,007
Total liabilities		**441,493**	343,914
Total equity and liabilities		**1,067,221**	1,064,102
Net current assets		**273,335**	284,473
Total assets less current liabilities		**754,680**	817,095

The notes on pages 90 to 152 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 30 March 2016, and were signed on its behalf.

Executive Director

Executive Director

Consolidated Statement of Comprehensive Income

(Amounts expressed in thousands of RMB)

	Note	Year ended 31 December 2015	2014
Revenue	*26*	294,481	426,082
Cost of sales	*27*	(329,224)	(425,238)
Gross (loss)/profit		(34,743)	844
Distribution expenses	*27*	(3,034)	(4,371)
Administrative expenses	*27*	(210,474)	(55,346)
Other income	*29*	213	–
Other losses – net	*30*	(12,416)	(15,761)
Operating loss		(260,454)	(74,634)
Finance income	*31*	2,453	2,673
Finance expenses	*31*	(24,056)	(24,491)
Finance expenses – net	*31*	(21,603)	(21,818)
Loss before income tax		(282,057)	(96,452)
Income tax credit	*33*	18,641	14,812
Loss for the year		(263,416)	(81,640)
Loss attributable to:			
Owners of the Company	*34*	(261,414)	(78,661)
Non-controlling interests		(2,002)	(2,979)
		(263,416)	(81,640)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Change in value on available-for-sale financial assets	*8*	80	(90)
Currency translation differences		(36)	93
Total comprehensive loss for the year		(263,372)	(81,637)
Attributable to:			
Owners of the Company		(261,401)	(78,743)
Non-controlling interests		(1,971)	(2,894)
Total comprehensive loss for the year		(263,372)	(81,637)
Losses per share for loss attributable to owners of the Company for the year (expressed in RMB per share)			
Basic losses per share	*35*	(0.06)	(0.02)
Diluted losses per share	*35*	(0.06)	(0.02)

The notes on pages 90 to 152 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(Amounts expressed in thousands of RMB)

		Attributable to Owners of the Company					
	Note	Share capital and share premium (*Note 17*)	Reserves (*Note 18*)	Retained earnings/ (Accumulated losses) (*Note 19*)	Total	Non-controlling interests	Total equity
Balance at 31 December 2014		473,696	65,195	177,900	716,791	3,397	720,188
Comprehensive income							
Loss for the year		–	–	(261,414)	(261,414)	(2,002)	(263,416)
Other comprehensive income							
Available-for-sale financial assets	*8*	–	56	–	56	24	80
Currency translation differences		–	(25)	–	(25)	(11)	(36)
Transactions with owners in their capacity as owners							
Utilisations		–	(15,362)	15,362	–	–	–
Share-based payments	*36*	–	15,734	–	15,734	18	15,752
Exercise of warrants	*36*	35,138	(1,210)	–	33,928	–	33,928
Proceeds from shares issued		119,232	–	–	119,232	–	119,232
Balance at 31 December 2015		628,066	64,388	(68,152)	624,302	1,426	625,728

		Attributable to Owners of the Company					
	Note	Share capital and share premium (*Note 17*)	Reserves (*Note 18*)	Retained earnings (*Note 19*)	Total	Non-controlling interests	Total equity
Balance at 31 December 2013		382,863	72,639	240,410	695,912	6,291	702,203
Comprehensive income							
Loss for the year		–	–	(78,661)	(78,661)	(2,979)	(81,640)
Other comprehensive income							
Available-for-sale financial assets	*8*	–	(63)	–	(63)	(27)	(90)
Currency translation differences		–	65	–	65	28	93
Transactions with owners in their capacity as owners							
Utilisations		–	(16,151)	16,151	–	–	–
Share-based payments	*36*	–	18,357	–	18,357	84	18,441
Exercise of warrants	*36*	90,833	(9,652)	–	81,181	–	81,181
Balance at 31 December 2014		473,696	65,195	177,900	716,791	3,397	720,188

The notes on pages 90 to 152 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(Amounts expressed in thousands of RMB)

	Note	Year ended 31 December 2015	2014
Cash flows from operating activities			
Cash used in operations	*37*	**(87,009)**	(8,187)
Interest paid	*22,31*	**(17,195)**	(21,853)
Interest received	*29,31*	**2,930**	2,673
Income tax paid		**–**	(16,554)
Net cash used in operating activities		**(101,274)**	(43,921)
Cash flows from investing activities			
Purchases of property, plant and equipment ("PPE") and intangible assets		**(8,098)**	(37,973)
Proceeds from sale of PPE	*37*	**–**	679
Increase of term deposits	*16*	**(100,000)**	–
(Increase)/decrease of restricted bank deposits		**(43,450)**	66,926
Advance construction funds from government	*22*	**7,200**	–
Net cash (used in)/generated from investing activities		**(144,348)**	29,632
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	*17,36*	**153,160**	81,181
Proceeds from borrowings		**266,333**	596,177
Repayments of borrowings		**(217,550)**	(584,133)
Dividends paid to shareholders	*25*	**–**	(1,038)
Net cash generated from financing activities		**201,943**	92,187
Net (decrease)/increase in cash and cash equivalents		**(43,679)**	77,898
Cash and cash equivalents at beginning of year	*16*	**142,024**	64,089
Exchange (losses)/gains on cash and cash equivalents		**(255)**	37
Cash and cash equivalents at end of year	*16*	**98,090**	142,024

The notes on pages 90 to 152 are an integral part of these consolidated financial statements.

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

1. GENERAL INFORMATION

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

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

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

These consolidated financial statements have been approved for issuance by the Board of Directors on 30 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendments from annual improvements to HKFRSs – 2010-2012 Cycle, on HKFRS 8, 'Operating segments', HKAS 16, 'Property, plant and equipment', HKAS 38, 'Intangible assets' and HKAS 24, 'Related party disclosures'.

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments do not have a significant financial effect on these consolidated financial statements.

(b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

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

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

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

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

(c) Disposal of subsidiaries

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or expenses'. All other foreign exchange gains and losses are presented in the income statement within 'other 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 other comprehensive income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(c) Group companies

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

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

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

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

2.5 Property, plant and equipment

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

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

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

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

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

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

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

2.6 Intangible assets

(a) Mining rights

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

(b) Exploration rights

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (Continued)

(c) Exploration and evaluation assets

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

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

2.8 Financial assets

2.8.1 Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

2.8.2 Recognition and measurement

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

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

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

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

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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

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

(b) Assets classified as available for sale

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

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

2.10 Inventories

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

2.11 Trade receivables and other receivables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Cash and cash equivalents

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

2.13 Share capital

Ordinary shares are classified as equity.

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

2.14 Trade payables

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

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

2.15 Borrowings

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

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

2.16 Borrowing costs

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

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

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

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Borrowing costs (Continued)

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

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

2.17 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

(i) Inside basis differences

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (Continued)

***(b) Deferred income tax** (Continued)*

(ii) Outside basis differences

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

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

(c) Offsetting

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

2.18 Employee benefits

(a) Pension obligations

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

(b) Housing benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Share-based payments

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

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

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

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

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

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

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

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

2.20 Provisions for close down, restoration and environmental costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

2.21 Revenue recognition

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

(a) Sales of goods

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

(b) Rental income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases

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

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

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

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

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

2.23 Dividend distribution

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

2.24 Government grants

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

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

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

(Amounts expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine"), Linyi Luxing Titanium Co., Ltd. ("Luxing Titanium") and Tianjin Ever Grand Financial Leasing Co., Ltd. ("Ever Grand"), operating in the PRC, and Ishine International Resources Limited ("Ishine International"), operating in Australia, are four major subsidiaries of the Company. Almost all of the transactions of Shandong Ishine, Luxing Titanium and Ever Grand, and Ishine International are denominated and settled in their respective functional currencies, i.e. RMB and AUD respectively. Therefore the Group has no significant foreign exchange risk from the operations of these four subsidiaries that may impact its consolidated result of operations.

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

(ii) Price risk

The Group is exposed to debt securities price risk because of investments held by the Group and classified on the consolidated balance sheet as at fair value through profit or loss. The Group is not exposed to commodity price risk. The Group's investments in debt securities that are publicly traded are issued by the Bank of East Asia, HSBC and the Royal Bank of Scotland.

The table below summarises the impact of increases/decreases of market price of the three debt securities on the Group's net loss for the year end 31 December 2015. The analysis is based on the assumption that the market price of debt securities had increase/decrease by 100 basis points with all other variables held constant. Net loss for the year would decrease/increase as a result of gains/losses on debt securities classified as at fair value through profit or loss.

	Year Ended 31 December 2015
Net loss decrease/(increase)	
– 100 basis points higher	224
– 100 basis points lower	(224)

(iii) Fair value interest rate risk

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

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

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

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

Sales to the Group's top five largest customers accounted for 59% of total revenue for the year ended 31 December 2015 (2014: 57%). Risk control assesses the credit quality of all the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements.

(c) Liquidity risk

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

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

	Within 1 year	**1-2 years**	**2-5 years**	**Over 5 years**
As at 31 December 2015				
Borrowings	**183,125**	**8,978**	**26,935**	**140,394**
Trade payables	**47,654**	–	–	–
Other payables	**24,167**	–	–	–
	254,946	**8,978**	**26,935**	**140,394**

	Within 1 year	1-2 years	2-5 years	Over 5 years
As at 31 December 2014				
Borrowings	180,207	4,506	13,517	75,954
Trade payables	40,361	–	–	–
Other payables	19,600	–	–	–
	240,168	4,506	13,517	75,954

(Amounts expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Concentration risk

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

During the year end 31 December 2015, 59% of the Group's revenue was derived from sales to the top five customers (2014: 57%). If these major customers terminate their business relationships with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations. Therefore management keeps closely monitoring transactions with these major customers.

3.2 Capital management

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

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

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

During the years ended 31 December 2015 and 2014, the Group's strategy was to maintain the gearing ratio below 30%. The gearing ratios at 31 December 2015 and 2014 were as follows:

	As at 31 December	
	2015	2014
Total debt – total borrowings *(Note 23)*	**270,827**	222,044
Less: cash and cash equivalents *(Note 16)*	**(98,090)**	(142,024)
Net debt	**172,737**	80,020
Total equity	**625,728**	720,188
Total capital	**798,465**	800,208
Gearing ratio	**22%**	10%

The increase in gearing ratio during the year ended 31 December 2015 resulted primarily from the increase in total debt as a result of the issue of bonds and the increase in term deposits and restricted bank deposits, which led to the decrease in cash and cash equivalents.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The Group's financial instruments carried at fair value as at 31 December 2015 are defined by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) 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 can change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Impairment of non-current assets

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

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

(ii) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(c) Impairment of inventory

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

(d) Impairment of receivables

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

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

(e) Reserves

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

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Reserves (Continued)

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

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

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

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

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

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

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

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

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

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

(ii) extent of required clean-up efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) identification of new remediation sites.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

(g) Income taxes and deferred taxes

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

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

5. SEGMENT INFORMATION

(a) General information

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

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

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

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

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

(ii) Ever Grand, which was incorporated in the PRC in 2015 and is principally engaged in finance lease business in the PRC; and

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

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

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

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

Expenses, assets and liabilities of the holding companies (the Company, Alliance Worldwide Investment Limited ("Alliance Worldwide"), Fortune Shine Investment Limited ("Fortune Shine"), Shine Mining Investment Limited ("Shine Mining"), Ishine Mining International Limited ("Ishine Mining"), China Rongsheng Holdings Limited ("Rongsheng"), Alpha Charm Investments Limited ("Alpha Charm"), Grandson Holdings Limited ("Grandson") and Active Fortune Group Limited ("Active Fortune") (Note 32)) in the Group are presented as 'Unallocated' in the segment information.

The segment information provided to the SEM for the years ended 31 December 2015 and 2014 is as follows:

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

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

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

	Shandong Ishine and Luxing Titanium	Ishine International	Unallocated	Inter-segment elimination	Total
Year ended 31 December 2014					
Revenue	423,266	2,816	–	–	426,082
Tenement and exploration expenses	–	(2,462)	–	–	(2,462)
Gross profit	490	354	–	–	844
Finance income	2,634	39	–	–	2,673
Finance costs	(23,528)	–	(963)	–	(24,491)
Impairment losses	(13,518)	(4,324)	–	–	(17,842)
– PPE	(4,786)	–	–	–	(4,786)
– Intangible assets	(6,706)	(3,402)	–	–	(10,108)
– Available-for-sale financial assets	–	(922)	–	–	(922)
– Inventories	(2,026)	–	–	–	(2,026)
Income tax credit	14,812	–	–	–	14,812
Net loss	(45,353)	(7,580)	(28,707)	–	(81,640)
Segment assets and liabilities					
Total assets	1,017,976	1,892	605,290	(561,056)	1,064,102
Total liabilities	378,837	762	66,061	(101,746)	343,914
Other information					
Depreciation of PPE	37,288	136	38	–	37,462
Expenditures for non-current assets	61,975	–	25	–	62,000

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Mining infrastructures	Vehicles, equipment and others	Construction in progress	Total
Year ended 31 December 2014					
Opening net book amount	78,730	87,793	129,245	76,684	372,452
Additions	219	37,719	4,779	19,283	62,000
Transferred from construction in progress	16,370	–	22,294	(38,664)	–
Written off or disposals – cost	–	–	(4,831)	–	(4,831)
Written off or disposals – accumulated depreciation	–	–	4,557	–	4,557
Depreciation charge	(9,289)	(4,164)	(24,009)	–	(37,462)
Impairment charge *(Note 7(d))*	(1,292)	(1,484)	(2,010)	–	(4,786)
Effect of foreign exchange rate changes	–	–	(4)	–	(4)
Closing net book amount	84,738	119,864	130,021	57,303	391,926
At 31 December 2014					
Cost	125,656	139,717	215,276	57,303	537,952
Accumulated depreciation and impairment	(40,918)	(19,853)	(85,255)	–	(146,026)
Net book amount	84,738	119,864	130,021	57,303	391,926
Year ended 31 December 2015					
Opening net book amount	84,738	119,864	130,021	57,303	391,926
Additions	–	21,332	214	6,107	27,653
Transferred from construction in progress	358	–	62	(420)	–
Written off or disposals – cost	–	–	(761)	–	(761)
Written off or disposals – accumulated depreciation	–	–	684	–	684
Depreciation charge	(8,152)	(1,608)	(21,791)	–	(31,551)
Impairment charge *(Note 7(d))*	(4,993)	(16,201)	(13,823)	–	(35,017)
Effect of foreign exchange rate changes	–	–	(4)	–	(4)
Closing net book amount	71,951	123,387	94,602	62,990	352,930
At 31 December 2015					
Cost	126,014	161,049	215,580	62,990	565,633
Accumulated depreciation and impairment	(54,063)	(37,662)	(120,978)	–	(212,703)
Net book amount	71,951	123,387	94,602	62,990	352,930

Depreciation expenses of RMB4,740,000 (2014: RMB21,076,000) has been charged in 'costs of sales', RMB23,311,000 (2014: RMB5,665,000) in 'administrative expenses' (Note 27), RMB1,518,000 (2014: RMB4,093,000) in 'inventories', and RMB1,982,000 (2014: RMB6,628,000) in 'construction in progress', respectively.

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

7. INTANGIBLE ASSETS

	Exploration rights (a)	Exploration and evaluation assets (b)	Mining rights (c)	Total
Year ended 31 December 2014				
Opening net book amount	8,079	16,142	117,997	142,218
Amortisation charge	–	–	(817)	(817)
Impairment charge (d)	(3,402)	–	(6,706)	(10,108)
Effect of foreign exchange rate changes	73	–	–	73
Closing net book amount	4,750	16,142	110,474	131,366
At 31 December 2014				
Cost	10,902	16,142	123,327	150,371
Accumulated amortisation and impairment	(6,152)	–	(12,853)	(19,005)
Net book amount	4,750	16,142	110,474	131,366
Year ended 31 December 2015				
Opening net book amount	**4,750**	**16,142**	**110,474**	**131,366**
Amortisation charge	**–**	**–**	**(42)**	**(42)**
Impairment charge (d)	**(4,750)**	**(16,142)**	**(49,145)**	**(70,037)**
Closing net book amount	**–**	**–**	**61,287**	**61,287**
At 31 December 2015				
Cost	**10,902**	**16,142**	**123,327**	**150,371**
Accumulated amortisation and impairment	**(10,902)**	**(16,142)**	**(62,040)**	**(89,084)**
Net book amount	**–**	**–**	**61,287**	**61,287**

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

7. INTANGIBLE ASSETS (CONTINUED)

(a) Exploration rights consist of:

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

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

- Cash of AUD50,000 (equivalent to RMB251,000);
- 2,000,000 shares of Ishine International, a subsidiary whose shares were listed on Australian Securities Exchange (ASX code: ISH) and issued at the price of AUD0.20 per share with a total value of AUD400,000 (equivalent to RMB2,007,000); and
- 5,000,000 options to acquire the shares of Ishine International at AUD0.20 each on or before 31 December 2015 to a third-party vendor (Note 36(b)). The total fair value of the options granted as at date of the acquisition was AUD776,100 (equivalent to RMB3,984,000).

(iii) During the year ended 31 December 2014, management of Ishine International decided not to pursue further interest in one of the exploration tenements, and the capitalised acquisition cost of AUD613,053 (equivalent to RMB3,402,000) was recognised as an impairment loss.

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

(c) As at 31 December 2015, bank borrowings were secured by the mining right of Shandong Ishine, in Shandong Province, the PRC (Note 23(b)).

(d) Due to a significant decrease in the market price of iron concentrates and ilmenite concentrates during the year ended 31 December 2015 and the related price outlook, management of the Group carried out an impairment test on the related assets of Shandong Ishine and Luxing Titanium respectively, which were considered as two separate CGUs.

As at 31 December 2015, management estimated the recoverable amounts of intangible assets and PPE related to Shandong Ishine and Luxing Titanium, comprising exploration rights, exploration and evaluation assets, mining rights, buildings and structures, mining infrastructures, vehicles, equipment and others.

7. INTANGIBLE ASSETS (CONTINUED)

(d) (Continued)

The recoverable amounts of the CGUs were determined based on value-in-use calculations. These calculations used cash flow projections based on financial budgets approved by management covering a six-year period, which reflected cash flows from the sales of iron and ilmenite concentrates from the production of the mines of each CGU less estimated costs, discounted at 12.3%. Cash flows beyond the six-year period were extrapolated using a zero growth rate until the end of a twenty-year period. The key assumptions used in the value-in-use calculations in the year ended 31 December 2015 were as follows:

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

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

(i) Impairment loss recognised on intangible assets

Impairment losses of RMB24,445,000 (2014: nil) and RMB45,592,000 (2014: RMB6,706,000) have been included in the income statement (Note 27) during the year ended 31 December 2015 to write down the carrying amounts of intangible assets of Shandong Ishine and Luxing Titanium to their recoverable amounts of nil (2014: RMB24,487,000) and RMB61,287,000 (2014: RMB106,879,000), respectively, as at 31 December 2015.

(ii) Impairment loss recognised on PPE

Impairment losses of RMB4,997,000 (2014: nil) (Note 6) and RMB30,020,000 (2014: RMB4,786,000) (Note 6) have been included in the income statement (Note 27) during the year ended 31 December 2015 to write down the carrying amounts of PPE of Shandong Ishine and Luxing Titanium to their recoverable amounts of RMB312,547,000 (2014: RMB315,594,000) and RMB40,355,000 (2014: RMB76,266,000), respectively, as at 31 December 2015.

(Amounts expressed in thousands of RMB unless otherwise stated)

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	As at 31 December	
	2015	2014
At 1 January	**416**	1,442
Effect of foreign exchange rate changes	**(24)**	(14)
Gain/(Loss) from revaluation	**80**	(90)
Impairment loss (a)	**(40)**	(922)
At 31 December	**432**	416

(a) The fair value of such financial asset mentioned above has been determined by reference to published quotation in an active market. During the years ended 31 December 2015 and 2014, AUD8,300 and AUD166,000 (equivalent to RMB40,000 and RMB922,000) were recognised as impairment losses on the basis that they were considered as permanent diminution in value.

9. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	As at 31 December	
	2015	2014
Deferred tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**4,073**	4,643
– Deferred income tax assets to be recovered within 12 months	**4,359**	4,271
	8,432	8,914
Deferred tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**(2,146)**	(20,770)
– Deferred income tax liabilities to be recovered within 12 months	**(220)**	(719)
	(2,366)	(21,489)
Deferred tax assets/(liabilities) (net)	**6,066**	(12,575)

(Amounts expressed in thousands of RMB unless otherwise stated)

9. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

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

	Year ended 31 December 2015	2014
At 1 January	(12,575)	(27,387)
Income statement credit *(Note 33)*	18,641	14,812
At 31 December	6,066	(12,575)

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

(a) Deferred income tax assets

	Provisions for close down, restoration and environmental costs	Tax losses	Impairment losses	Others	Total
At 31 December 2013	4,152	–	–	1,075	5,227
Credited to the income statement	119	20,733	3,380	856	25,088
At 31 December 2014	4,271	20,733	3,380	1,931	30,315
Credited/(charged) to the income statement	88	(7,137)	27,625	(1,531)	19,045
At 31 December 2015	4,359	13,596	31,005	400	49,360

(b) Deferred income tax liabilities

	Depreciation of mining infrastructure	Fair value adjustment in business combination	Total
At 31 December 2013	(8,648)	(23,966)	(32,614)
(Charged)/credited to the income statement	(10,486)	210	(10,276)
At 31 December 2014	(19,134)	(23,756)	(42,890)
(Charged)/credited to the income statement	(624)	220	(404)
At 31 December 2015	(19,758)	(23,536)	(43,294)

9. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

(i) Pursuant to the PRC corporate income tax ("PRC CIT"), 10% withholding income tax ("WHT") will be levied on foreign investors for dividend distributions from foreign invested enterprises' profit earned after 1 January 2008. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applied. As at 31 December 2015, Shandong Ishine, the subsidiary of the Company incorporated in the PRC, with total retained earnings amounting to RMB28,123,000 will be subject to this withholding tax. The Group did not recognise the related deferred tax liabilities of RMB1,406,000 as at 31 December 2015, as the directors of the Company had foreseen that retained earnings up to 31 December 2015 of Shandong Ishine will not be distributed in the future.

(ii) As at 31 December 2015, the Group did not recognise deferred income tax assets of RMB16,421,000 (2014: RMB14,606,000) in respect of accumulated losses arising from Ishine International amounting to RMB54,738,000 (2014: RMB48,687,000) that can be carried forward indefinitely against future taxable income.

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

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

(Amounts expressed in thousands of RMB unless otherwise stated)

10. LONG-TERM RECEIVABLES

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

All long-term receivables are due within five years from the end of the year and are carried at amortised cost using the effective interest method. Amortisation of long-term receivables calculated using the effective interest method is recognised in the income statement as part of revenue.

The effective interest rate on long-term receivables was as follows:

	Year ended 31 December 2015
Effective interest rate	5.51%

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

11. INVENTORIES

	As at 31 December	
	2015	2014
Raw materials		
– Iron ore and ilmenite ore	**15,514**	4,112
– Others	**23,930**	12,358
Finished goods	**12,702**	54,972
Spare parts and others	**9,651**	9,369
Provision for inventory	**(22,001)**	(2,026)
	39,796	78,785

For the year ended 31 December 2015, the costs of inventories recognised as 'cost of sales' amounted to RMB316,199,000 (2014: RMB337,578,000) (Note 27).

Due to a significant decrease in the market price of iron concentrates and ilmenite concentrates during the year ended 31 December 2015, net realisable value of finished goods with cost of RMB11,964,000 (2014: RMB46,064,000), iron ore with cost of RMB14,158,000 and coarse iron powder for trading with cost of RMB21,350,000, was lower than its cost respectively as at 31 December 2015. A provision of RMB4,699,000 (2014: RMB2,026,000), RMB10,916,000 (2014: nil) and RMB6,386,000 (2014: nil) has been charged to the income statement for finished goods, iron ore and coarse iron powder for trading, respectively, as at 31 December 2015 (Note 27).

The Group reversed RMB2,026,000 of a previous provision for inventory in the year ended 31 December 2015. The Group has sold all the goods that were written down to independent customers in the PRC. The amount reversed has been included in 'cost of sales' in the income statement.

12. TRADE RECEIVABLES

	As at 31 December	
	2015	2014
Trade receivables	**143,132**	201,128
Less: allowance for impairment of trade receivables	**(9,513)**	–
Trade receivables – net	**133,619**	201,128

As at 31 December 2015 and 2014, the carrying amounts of the Group's trade receivables approximated their fair values.

(Amounts expressed in thousands of RMB unless otherwise stated)

12. TRADE RECEIVABLES (CONTINUED)

The majority of the Group's sales are with credit terms of 90 days. As of 31 December 2015, trade receivables of RMB73,597,000 were past due but not impaired (2014: RMB111,316,000). At 31 December 2015 and 2014, the ageing analysis of trade receivables was as follows:

	As at 31 December	
	2015	2014
Within 3 months	**63,252**	89,812
3 to 6 months	**6,033**	12,470
6 months to 1 year	**28,037**	98,844
Over 1 year	**45,810**	2
	143,132	201,128

As of 31 December 2015, a provision of RMB9,513,000 was provided for impairment of trade receivables. The impaired receivables were mainly due to a significant decrease in the market price of iron pellets and steel in the PRC during the year ended 31 December 2015, which led the main customers into unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The carrying amounts of the Group's trade receivables are denominated in RMB.

Movement on the Group's allowance for impairment of trade receivables is as follows:

	Year Ended 31 December 2015
At 1 January	**–**
Provision for receivables impairment	**9,513**
At 31 December	**9,513**

The creation of provision for impaired receivables has been included in the income statement (Note 27). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables.

As at 31 December 2015, bank borrowings were secured by trade receivables with carrying amount of RMB60,385,000 (2014: RMB95,634,000) (Note 23(b)).

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

13. NOTES RECEIVABLES

	As at 31 December	
	2015	2014
Bank acceptance notes	**75,800**	31,750
Trade acceptance notes	**16,000**	–
	91,800	31,750

The ageing of bank acceptance notes and trade acceptance notes is within 6 months and 12 months, respectively.

As at 31 December 2015 and 2014, the carrying amounts of the Group's notes receivables approximated their fair values.

As at 31 December 2014, bank borrowings were secured by bank acceptance notes with carrying amount of RMB2,000,000 (Note 23(c)).

14. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
Advance to suppliers (a)	**12,002**	52,568
Prepaid taxes	**9,635**	2,925
Land restoration deposits	**7,098**	5,573
Undeducted input VAT	**3,847**	5,978
Advance to employees	**1,133**	1,204
Others	**6,272**	7,995
	39,987	76,243

(a) As of 31 December 2015 and 2014, advance to suppliers mainly comprised prepayments to suppliers for purchasing coarse iron powder and to mining contractors.

(Amounts expressed in thousands of RMB unless otherwise stated)

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2015	2014
Debt securities – held for trading	**22,895**	–

Financial assets at fair value through profit or loss ("FVTPL") are presented within 'operating activities' as part of changes in working capital in the statement of cash flows (Note 37).

Changes in fair values of FVTPL are recorded in 'other losses – net' in the income statement (Note 30).

The fair value of all debt securities is based on their current bid prices in an active market.

16. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED BANK DEPOSITS

	As at 31 December	
	2015	2014
Cash and cash equivalents		
– Cash on hand	**336**	356
– Cash at bank	**97,754**	141,668
	98,090	142,024
Term deposits – maturity over 3 months	**100,000**	–
Restricted bank deposits		
– Deposits for bank acceptance notes	**45,000**	730
– Deposits for letter of credit	**–**	820
	45,000	1,550
	243,090	143,574

Cash and cash equivalents, term deposits and restricted bank deposits are denominated in the following currencies:

	As at 31 December	
	2015	2014
RMB	**218,973**	92,476
HKD	**12,219**	48,934
USD	**10,948**	887
AUD	**950**	1,277
	243,090	143,574

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

16. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED BANK DEPOSITS (CONTINUED)

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

17. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Share capital	Share premium	Total
At 31 December 2013	720,871,584	5,834	377,029	382,863
Exercise of warrants *(Note 36(c)(i))*	14,000,000	111	20,839	20,950
Share subdivision (a)	2,939,486,336	–	–	–
Exercise of warrants *(Note 36(c)(i))*	233,500,000	369	69,514	69,883
At 31 December 2014	3,907,857,920	6,314	467,382	473,696
Exercise of warrants *(Note 36(c)(i))*	127,000,000	201	34,937	35,138
Proceeds from shares issued (b)	392,000,000	621	118,611	119,232
At 31 December 2015	**4,426,857,920**	**7,136**	**620,930**	**628,066**

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

(b) On 1 March 2015, the Company entered into a subscription agreement with X. Mining Resources Group Limited, a third-party company incorporated in BVI with limited liability (the "Subscriber"), pursuant to which the Subscriber has agreed to subscribe for and the Company has agreed to issue and allot 392,000,000 shares (the "Subscription Shares") in cash at the share subscription price of RMB0.304 (equivalent to approximately HKD0.384) per Subscription Share. On 16 March 2015, pursuant to the subscription agreement, the Subscriber successfully subscribed for 392,000,000 Subscription Shares.

(Amounts expressed in thousands of RMB unless otherwise stated)

18. RESERVES

	Merger reserve (a)	Capital reserve	Statutory reserve fund (b)	Safety fund (c)	Future development fund (d)	Share-based payment reserve	Available-for-sale investments	Translation	Total
At 31 December 2013	(162,269)	50,941	48,483	87,232	44,279	4,376	63	(466)	72,639
Utilisations	–	–	–	(15,879)	(272)	–	–	–	(16,151)
Change in value on available-for-sale financial assets	–	–	–	–	–	–	(63)	–	(63)
Share-based payments *(Note 36)*	–	–	–	–	–	18,357	–	–	18,357
Exercise of warrants	–	–	–	–	–	(9,652)	–	–	(9,652)
Currency translation differences	–	–	–	–	–	–	–	65	65
At 31 December 2014	(162,269)	50,941	48,483	71,353	44,007	13,081	–	(401)	65,195
Appropriations/(utilisations)	–	–	–	2,228	(17,590)	–	–	–	(15,362)
Change in value on available-for-sale financial assets	–	–	–	–	–	–	56	–	56
Share-based payments *(Note 36)*	–	–	–	–	–	15,734	–	–	15,734
Exercise of warrants	–	–	–	–	–	(1,210)	–	–	(1,210)
Currency translation differences	–	–	–	–	–	–	–	(25)	(25)
At 31 December 2015	(162,269)	50,941	48,483	73,581	26,417	27,605	56	(426)	64,388

(a) Merger reserve

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

(b) Statutory reserve fund

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

For the years ended 31 December 2015 and 2014, Shandong Ishine, Luxing Titanium and Ever Grand did not appropriate to the statutory reserve fund due to their losses for the respective year.

(Amounts expressed in thousands of RMB unless otherwise stated)

18. RESERVES (CONTINUED)

(c) Safety fund

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

(d) Future development fund

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

19. (ACCUMULATED LOSSES)/RETAINED EARNINGS

At 31 December 2013	240,410
Loss for the year	(78,661)
Transfer from reserves *(Note 18(c)/(d))*	16,151
At 31 December 2014	177,900
Loss for the year	(261,414)
Transfer from reserves *(Note 18(c)/(d))*	15,362
At 31 December 2015	**(68,152)**

20. TRADE PAYABLES

	As at 31 December	
	2015	2014
Trade payables	**47,654**	40,361

(Amounts expressed in thousands of RMB unless otherwise stated)

20. TRADE PAYABLES (CONTINUED)

At 31 December 2015 and 2014, the ageing analysis of trade payables was as follows:

	As at 31 December	
	2015	2014
Within 6 months	**23,543**	19,941
6 months to 1 year	**9,203**	9,010
Over 1 year	**14,908**	11,410
	47,654	40,361

The carrying amounts of the Group's trade payables are denominated in RMB.

As at 31 December 2015 and 2014, the carrying amounts of trade payables approximated their fair values.

21. NOTES PAYABLES

	As at 31 December	
	2015	2014
Bank acceptance notes	**50,000**	630

The ageing of notes payables is within 6 months.

As at 31 December 2015 and 2014, the carrying amounts of the Group's notes payables approximated their fair values.

22. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2015	2014
Advance construction funds from government	**11,124**	3,924
Guarantee deposits	**10,488**	9,885
Accrued land compensation costs	**6,780**	1,779
Employee benefits payable	**4,631**	6,359
Interest payable	**3,319**	634
Other taxes payable	**2,310**	2,024
Accrued audit fee	**944**	1,900
Accrued other professional service and consulting fee	**979**	3,500
Deposits and receipts in advance	**156**	408
Others	**1,657**	1,902
	42,388	32,315

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

23. BORROWINGS

	As at 31 December	
	2015	2014
Non-current		
Bonds	**100,827**	50,764
Current		
Bank borrowings	**170,000**	171,280
Total Borrowings	**270,827**	222,044
Representing:		
Unsecured		
– Bonds wholly payable after 7.5 years (a)	**100,827**	50,764
Secured		
– Pledged (b)	**140,000**	–
– Pledged and guaranteed (c)	**–**	91,280
– Guaranteed (d)	**30,000**	80,000
	270,827	222,044

All the Group's borrowings bear a weighted average effective interest rate of 6.68% annually (2014: 6.93% annually).

The Group's bonds mature until 2023.

At 31 December 2015 and 2014, the Group's borrowings were repayable as follows:

	As at 31 December	
	2015	2014
Within 6 months	**110,000**	91,280
6 months to 1 year	**60,000**	80,000
Over 5 years	**100,827**	50,764
	270,827	222,044

(Amounts expressed in thousands of RMB unless otherwise stated)

23. BORROWINGS (CONTINUED)

As at 31 December 2015 and 2014, the carrying amounts of the Group's borrowings approximated their fair values.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2015	2014
RMB	**170,000**	171,280
HKD	**100,827**	50,764
	270,827	222,044

(a) Unsecured bonds

During the years ended 31 December 2015 and 2014, the Company issued bonds to several independent third parties with a coupon rate of 7.00% per annum, payable in 7.5 years from the respective issue dates. The aggregate amount was HKD69,000,000 and HKD82,000,000 and net proceeds received were HKD54,380,000 (equivalent to RMB45,558,000) and HKD63,960,000, (equivalent to RMB50,458,000), after deducting agency fee of HKD14,620,000 and HKD18,040,000, respectively.

As at 31 December 2015 and 2014, the aggregate carrying amount of the bonds was HKD120,350,000 (equivalent to RMB100,827,000) and HKD64,348,000 (equivalent to RMB50,764,000), approximating their fair values, respectively. The fair values are determined using the expected future payments discounted at an effective interest rate of 9.35%.

(b) Pledged bank borrowings

(i) As at 31 December 2015, bank borrowings of RMB100,000,000 (2014: nil) were secured by the mining right of Shandong Ishine, in Shandong Province, the PRC (Note 7(c)).

(ii) As at 31 December 2015, bank borrowings of RMB40,000,000 (2014: nil) were secured by the mining right of Shandong Ishine, in Shandong Province, the PRC (Note 7(c)), and trade receivables with carrying amount of RMB60,385,000 (Note 12).

(Amounts expressed in thousands of RMB unless otherwise stated)

23. BORROWINGS (CONTINUED)

(c) Pledged and guaranteed bank borrowings

(i) As at 31 December 2014, bank borrowings of RMB1,280,000 were secured by notes receivables with carrying amount of RMB2,000,000 (Note 13) and guaranteed by the Controlling Shareholder (Note 39).

(ii) As at 31 December 2014, bank borrowings of RMB90,000,000 were secured by trade receivables with carrying amount of RMB95,634,000 (Note 12) and guaranteed by Yishui Hesheng Minerals Processing Co., Ltd., an independent third party, and the Controlling Shareholder (Note 39) and his wife.

(d) Guaranteed bank borrowings

As at 31 December 2015 and 2014, the following borrowings of the Group were guaranteed by certain third parties and the Controlling Shareholder:

	As at 31 December	
	2015	2014
Guaranteed by third party		
– Yishui Hesheng Minerals Processing Co., Ltd.	**30,000**	30,000
Jointly guaranteed by third parties and the Controlling Shareholder *(Note 39)*		
– Linyi Runxing Investment Co., Ltd. and Mr. Li Yunde	**–**	20,000
– Yishui Hesheng Minerals Processing Co., Ltd. and Mr. Li Yunde	**–**	30,000
	30,000	80,000

(Amounts expressed in thousands of RMB unless otherwise stated)

24. PROVISIONS FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	As at 31 December	
	2015	2014
At 1 January	**24,654**	16,612
Additional provisions	**–**	7,574
Unwinding of discount charged to the income statement *(Note 31)*	**1,341**	1,454
Used during year	**(236)**	(986)
At 31 December	**25,759**	24,654

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

25. DIVIDENDS

No dividends were paid during the year ended 31 December 2015 (2014: RMB1,038,000).

At a meeting held on 30 March 2016, the Board of Directors did not recommend a final dividend for the year ended 31 December 2015 (2014: nil).

26. REVENUE

	Year ended 31 December	
	2015	2014
Production		
– Sales of iron concentrates	**105,500**	295,072
– Sales of titanium concentrates	**9**	2,612
Trading		
– Sales of coarse iron powder	**183,692**	125,582
Others	**5,280**	2,816
	294,481	426,082

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

27. EXPENSES BY NATURE

	Year ended 31 December	
	2015	2014
Changes in inventories of finished goods, iron ore and ilmenite ore	**30,868**	(31,517)
Raw materials used for trading	**205,115**	124,353
Raw materials used for production	**61,682**	134,933
Payments to mining contractors	**17,405**	90,749
Spare parts and others	**1,129**	19,060
Employee benefit expense *(Note 28)*	**14,180**	24,068
Depreciation *(Note 6)*	**28,051**	26,741
Amortisation *(Note 7)*	**42**	817
Impairment in PPE *(Note 6)*	**35,017**	4,786
Impairment in intangible assets *(Note 7)*	**70,037**	10,108
Impairment in available-for-sale financial assets *(Note 8)*	**40**	922
Inventory write-down *(Note 11)*	**22,001**	–
Impairment in trade receivables *(Note 12)*	**9,513**	2,026
Transportation expenses	**6,718**	12,982
Utilities and electricity	**6,175**	24,475
Professional fees	**4,478**	2,363
Auditors' remuneration		
– Audit services	**3,355**	3,669
– Non-audit services	**–**	–
Resources tax	**2,042**	14,555
Other expenses	**24,884**	19,865
Total cost of sales, distribution expenses and administrative expenses	**542,732**	484,955

(Amounts expressed in thousands of RMB unless otherwise stated)

28. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2015	2014
Wages, salaries and allowances	**11,787**	19,214
Pensions and others welfare expenses	**2,393**	4,854
	14,180	24,068

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2014: three) directors whose emoluments are reflected in the analysis shown in Note 42. The emoluments payable to the remaining two (2014: two) individuals during the year are as follows:

	Year ended 31 December	
	2015	2014
Basic salaries and allowances	**1,096**	1,165
Contribution to pension scheme	**55**	61
	1,151	1,226

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

	Number of individuals Year ended 31 December	
	2015	2014
Emolument band		
HKD500,001 – HKD1,000,000	**5**	5

29. OTHER INCOME

	Year ended 31 December	
	2015	2014
Interest income on FVTPL financial assets	**477**	–
Loss on disposal of FVTPL financial assets	**(263)**	–
Transaction costs related to FVTPL financial assets	**(1)**	–
	213	–

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

30. OTHER LOSSES – NET

	Year ended 31 December	
	2015	2014
FVTPL financial assets – fair value gains	**236**	–
Gain on disposal of PPE	**423**	405
Government grants	**400**	983
Loss on issuance of non-listed warrants *(Note 36(c))*	**(13,484)**	(17,022)
Others	**9**	(127)
	(12,416)	(15,761)

31. FINANCE EXPENSES – NET

	Year ended 31 December	
	2015	2014
Interest expense:		
– Borrowings	**(19,880)**	(21,853)
– Provisions: unwinding of discount *(Note 24)*	**(1,341)**	(1,454)
– Discount of bank acceptance notes	**(2,622)**	(2)
– Others	**(449)**	(281)
Net foreign exchange gains/(losses)	**236**	(901)
Finance expenses	**(24,056)**	(24,491)
Finance income:		
– Interest income on bank deposits	**2,453**	2,673
Net finance expenses	**(21,603)**	(21,818)

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

32. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2015 (expressed in dollar of respective currency):

Company name	Place and date of incorporation	Principal activities	Type of legal entity	Issued/paid-up capital	Equity interest attributable to the Group
Directly held:					
Alliance Worldwide	BVI/ 29 November 2010	Investment holding	Limited liability company	USD50,000	100%
Active Fortune	BVI/ 10 November 2014	Investment holding	Limited liability company	HKD7.76	100%
Rongsheng	Cayman Islands/ 27 March 2015	Investment holding	Limited liability company	HKD0.06	100%
Indirectly held:					
Fortune Shine	Cayman Islands/ 21 September 2010	Investment holding	Limited liability company	USD50,000	100%
Shine Mining	Hong Kong/ 1 November 2010	Investment holding	Limited liability company	HKD10,000	100%
Ishine Mining	Hong Kong/ 22 December 2010	Investment holding	Limited liability company	HKD10,000	100%
Shandong Ishine	the PRC/ 4 December 2001	Iron ore mining, processing and sales of iron concentrates	Limited liability company	USD27,146,183	100%
Ishine International	Australia/ 18 September 2009	Exploration of metal reserves	Limited liability company	AUD7,621,235	69.51%
Luxing Titanium	the PRC/ 2 July 2008	Ilmenite ore mining, processing and sales of iron and titanium concentrates	Limited liability company	RMB22,000,000	95%
Alpha Charm	BVI/ 10 November 2014	Investment holding	Limited liability company	USD1	100%
Grandson	Hong Kong/ 3 October 2014	Investment holding	Limited liability company	HKD1	100%
Ever Grand	the PRC/ 3 April 2015	Finance lease	Limited liability company	USD30,000,000	100%

As at 31 December 2015 and for the year ended 31 December 2015, there were no significant non-controlling interests of the subsidiaries in the Group.

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

33. INCOME TAX CREDIT

	Year ended 31 December	
	2015	2014
Deferred tax *(Note 9)*:		
Origination and reversal of temporary differences	**18,641**	14,812

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

The subsidiaries incorporated in BVI under the International Business Companies Acts of the British Virgin Islands are exempted from payment of BVI income tax.

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the years ended 31 December 2015 and 2014.

Australia corporation income tax rate is 30%. Australia corporation income tax has not been provided for the subsidiary in Australia as there is no estimated assessable profit arising in or derived from Australia during the years ended 31 December 2015 and 2014.

Corporate income tax ("CIT") in the PRC is calculated based on the statutory profit of the subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjusting certain items of income and expenses that are not assessable or deductible for income tax purposes.

On 10 December 2015, Shandong Ishine was notified by the Department of Science and Technology of Shandong Province, Shandong Province Finance Bureau, Shandong Provincial Office of State Administration of Taxation and Shandong Local Taxation Bureau, the PRC, that Shandong Ishine will be formally awarded with the National High-Tech Enterprise qualification. National High-Tech Enterprise refers to an enterprise which, within the scope regulated by the Field of High and New Technology with the Key Support by the Country, conducts ongoing research and development as well as transformation of technological achievement, forming the enterprise core intellectual property rights based on which business activities are carried out. Pursuant to the related regulations, Shandong Ishine is entitled to the preferential income tax rate of 15% (25% before the recognition) in respect of corporate income tax. The tax rate for Shandong Ishine will be 15%, effective from 1 January 2016, and the relevant deferred tax balances have been re-measured.

The tax rate for the Company's other PRC subsidiaries, Luxing Titanium and Ever Grand, was 25% for the year ended 31 December 2015.

(Amounts expressed in thousands of RMB unless otherwise stated)

33. INCOME TAX CREDIT (CONTINUED)

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

	Year ended 31 December	
	2015	2014
Loss before tax	**(282,057)**	(96,452)
Tax calculated at domestic tax rates applicable to losses in the respective countries	**62,039**	17,470
Tax effects of:		
– Expenses not deductible for tax purposes	**(133)**	(1,618)
– Tax losses for which no deferred income tax asset was recognised	**(18,974)**	(1,040)
Re-measurement of deferred tax – change in the tax rate	**(24,291)**	–
Tax credit	**18,641**	14,812

34. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the year ended 31 December 2015, the loss attributable to owners of the Company was dealt with in the financial statements of the Company to the extent of RMB35,142,000 (2014: RMB27,765,000).

35. LOSSES PER SHARE

(a) Basic

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2015	2014
Loss attributable to owners of the Company	**(261,414)**	(78,661)
Weighted average number of ordinary shares in issue	**4,310,255,180**	3,647,674,358
Basic losses per share (Expressed in RMB per share)	**(0.06)**	(0.02)

(b) Diluted

As at 31 December 2015 and 2014, there were unexercised warrants that would potentially have a dilutive impact in the future but were anti-dilutive due to the losses for the years ended 31 December 2015 and 2014. The diluted losses per share were calculated in the same way as basic losses per share.

(Amounts expressed in thousands of RMB unless otherwise stated)

36. SHARE-BASED PAYMENTS

(a) Shares issued to an employee

In December 2015, pursuant to an employment agreement with an employee of Ishine International, 300,000 shares were approved to be issued if certain service criteria were met. The service criteria were as follows:

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

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

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

The expense recognised for employee services received during the year ended 31 December 2015 was AUD11,917 (equivalent to RMB57,000). The fair value of the share-based payment was based on Ishine International's share price of AUD0.22 at grant date, 1 December 2012. There were no vesting conditions apart from the employee fulfilling the service period, and no dividend yield has been included. As at 31 December 2015, none of the above approved shares were issued.

(b) Share options issued for the acquisition of exploration rights

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

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

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

As disclosed in Note 7(a)(ii), on 3 December 2009, Ishine International granted 5,000,000 share options to a third-party vendor in exchange for the acquisition of certain exploration rights in Australia. The options are exercisable at AUD0.20 each on or before 31 December 2015. The total fair value of the options granted as at the date of the acquisition amounted to AUD776,100 (equivalent to RMB3,894,000) and was recorded as part of the consideration of the acquisition of the exploration rights.

(Amounts expressed in thousands of RMB unless otherwise stated)

36. SHARE-BASED PAYMENTS (CONTINUED)

(b) Share options issued for the acquisition of exploration rights (Continued)

As at 31 December 2015, such share options over unissued ordinary shares have expired.

(c) Non-listed warrants

(i) The 2014 Warrants

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

The 2014 Warrants were recognised at fair value, determined based on the valuations performed by independent professionally qualified valuers, who hold a recognised relevant professional qualification and had recent experience in the warrants valued, using the Binominal Model with the following key assumptions:

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

The 2014 Warrants were measured at fair value of HKD22,896,000 (equivalent to RMB18,165,000) at initial recognition, and were credited to share-based payment reserve in accordance with HKFRS 2. The excess of the fair value of the 2014 Warrants over the consideration of HKD1,440,000 (equivalent to RMB1,142,000) received, amounting to HKD21,456,000 (equivalent to RMB17,022,000) was recorded in 'other losses – net' in the income statement for the year ended 31 December 2014 (Note 30).

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

(Amounts expressed in thousands of RMB unless otherwise stated)

36. SHARE-BASED PAYMENTS (CONTINUED)

(c) Non-listed warrants (Continued)

(i) The 2014 Warrants (Continued)

On 28 October 2014, each of the existing authorised shares with par value of HKD0.01 each in the share capital of the Company was subdivided into 5 shares with par value of HKD0.002 each (Note 17). As of the date of share subdivision, there were 130,000,000 outstanding warrants, which were subdivided into 650,000,000 outstanding warrants to subscribe for 650,000,000 subdivided shares with par value of HKD0.002, at a subdivided exercise price of HKD0.338.

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

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

During the year ended 31 December 2015, warrants of 127,000,000 shares were exercised at the price of HKD0.338 and were credited to share capital with an amount of HKD254,000 (equivalent to RMB201,000). The excess of the exercise price over the par value, amounting to HKD42,672,000 (equivalent to RMB33,727,000) was recognised as share premium.

As at 31 December 2015, warrants of 289,500,000 shares were issued but not exercised.

(ii) The 2015 Warrants

On 1 June 2015, the Company issued 140,000,000 non-listed warrants (the "2015 Warrants") to X. Mining Resources Group Limited at par value of RMB0.0016 each. Each warrant entitles the holder to subscribe for one new share of the Company at an exercise price of RMB0.319 at any time for a period of 12 months from the date of issue.

The 2015 Warrants were recognised at fair value, determined based on the valuations performed by the independent professionally qualified valuers using the Binominal Model with the following key assumptions:

	Issue date as at 1 June 2015
Exercise price	**RMB0.319**
Share price	**HKD0.495**
Volatility	**52.43%**
Remaining life	**12 months**
Risk free interest rate	**0.07%**

(Amounts expressed in thousands of RMB unless otherwise stated)

36. SHARE-BASED PAYMENTS (CONTINUED)

(c) Non-listed warrants (Continued)

(ii) The 2015 Warrants (Continued)

The 2015 Warrants were measured at fair value of HKD19,880,000 (equivalent to RMB15,695,000) at initial recognition, and were credited to share-based payment reserve in accordance with HKFRS 2. The excess of the fair value of the 2015 Warrants over the consideration of HKD2,800,000 (equivalent to RMB2,211,000) received, amounting to HKD17,080,000 (equivalent to RMB13,484,000) was recorded in 'other losses – net' in the income statement for the year ended 31 December 2015 (Note 30).

As at 31 December 2015, the 2015 Warrants were issued but not exercised.

37. CASH USED IN OPERATIONS

	Year ended 31 December	
	2015	2014
Loss before income tax	**(282,057)**	(96,452)
Adjustments for:		
– Depreciation *(Note 6)*	**28,051**	26,741
– Amortisation *(Note 7)*	**42**	817
– Impairment losses *(Note 27)*	**136,608**	17,842
– Gain on disposal of PPE (a)	**(423)**	(405)
– Share-based payment	**15,752**	18,441
– Fair value gains on FVTPL *(Note 30)*	**(236)**	–
– Interest income on FVTPL *(Note 29)*	**(477)**	–
– Interest expense on bank borrowings *(Note 31)*	**19,880**	21,853
– Interest expense on unwinding of discount *(Note 31)*	**1,341**	1,454
– Interest income *(Note 31)*	**(2,453)**	(2,673)
Changes in working capital:		
– Inventories	**18,506**	(42,438)
– Trade receivables	**57,996**	(4,811)
– Notes receivables	**(60,050)**	(10,681)
– Prepayments and other receivables	**20,441**	174,438
– FVTPL	**(22,333)**	–
– Long-term receivables *(Note 10)*	**(72,953)**	–
– Trade payables	**6,128**	(33,320)
– Notes payables	**49,370**	(14,156)
– Accruals and other payables	**94**	(63,851)
– Provision for close down, restoration and environmental costs *(Note 24)*	**(236)**	(986)
Cash used in operations	**(87,009)**	(8,187)

(Amounts expressed in thousands of RMB unless otherwise stated)

37. CASH USED IN OPERATIONS (CONTINUED)

(a) In the statement of cash flows, proceeds from sale of PPE comprise:

	Year ended 31 December	
	2015	2014
Net book amount *(Note 6)*	**77**	274
Gain on disposal of PPE *(Note 30)*	**423**	405
Net off with trade payables	**(500)**	–
Proceeds from disposal of PPE	**–**	679

38. COMMITMENTS

(a) Exploration commitment

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

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

	As at 31 December	
	2015	2014
No later than 1 year	**2,165**	4,512
1 to 3 years	**189**	4,285
	2,354	8,797

(b) Capital commitments

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

	As at 31 December	
	2015	2014
PPE	**5,812**	5,901

(Amounts expressed in thousands of RMB unless otherwise stated)

39. RELATED PARTY TRANSACTIONS

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

(a) During the years ended 31 December 2015 and 2014, the Company's directors were of the view that the following individual was a related party of the Group:

Name of related party	Nature of relationship
Mr. Li Yunde	The Controlling Shareholder

(b) Significant transactions with related parties

The Group has the following significant transactions with related parties:

As at 31 December 2014, bank borrowings of RMB141,280,000 were jointly guaranteed by the Controlling Shareholder and third parties (Note 23(c)(d)).

(c) Key management compensation

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

	Year ended 31 December	
	2015	2014
Wages, salaries and allowances	**2,977**	2,819
Contribution to pension scheme	**26**	52
	3,003	2,871

(Amounts expressed in thousands of RMB unless otherwise stated)

40. EVENTS AFTER THE REPORTING PERIOD

(a) The Proposed Acquisition

Ishine International, a non-wholly-owned subsidiary of the Company, whose shares were listed on Australian Securities Exchange, entered into a non-binding memorandum of understanding ("MOU") with Sino Australia Pty Ltd. ("Sino Australia") on 11 February 2016, to acquire approximately 280 acres of farmland in Victoria, Australia, a herd of Angus cattle and a Chinese website for selling Angus beef to the PRC ("the Proposed Acquisition"). Sino Australia and its ultimate beneficial owners are independent third parties.

Pursuant to the MOU, the Proposed Acquisition is conditional upon, among others, signing of formal documentation, capital reorganisation, equity fund raising, mutual due diligence and other regulatory requirements. The consideration of the Proposed Acquisition shall be satisfied by the allotment and issue of consideration shares of Ishine International. It is expected that upon completion of the Proposed Acquisition, Ishine International will cease to be a subsidiary of the Company and completion of the Proposed Acquisition is expected to be taken place in June 2016.

(b) Purchase of shares by the Controlling Shareholder

On 8 and 11 January 2016, Mr. Li Yunde has acquired, through Hongfa Holdings, 5,330,000 and 7,166,000 shares of the Company ("Shares") from the market, respectively. Upon completion of the purchase of Shares, Mr. Li Yunde owns 2,048,138,660 Shares, representing approximately 46.27% of the issued share capital of the Company.

41. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2015	2014
ASSETS		
Non-current assets		
PPE	**13**	17
Interest in subsidiaries	**776,534**	555,291
	776,547	555,308
Current assets		
Prepayments and other receivables	**3,632**	2,958
Cash and cash equivalents	**9,076**	48,714
	12,708	51,672
Total assets	**789,255**	606,980

(Amounts expressed in thousands of RMB unless otherwise stated)

41. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

	As at 31 December	
	2015	2014
EQUITY		
Equity attributable to owners of the Company		
Share capital and share premium	**628,065**	473,696
Reserves (a)	**142,547**	128,062
Accumulated losses (a)	**(95,644)**	(60,502)
Total equity	**674,968**	541,256
LIABILITIES		
Non-current liabilities		
Borrowings	**100,827**	50,764
Current liabilities		
Accruals and other payables	**12,123**	13,701
Dividend payables	**1,337**	1,259
	13,460	14,960
Total liabilities	**114,287**	65,724
Total equity and liabilities	**789,255**	606,980

The balance sheet of the Company was approved by the Board of Directors on 30 March 2016, and was signed on its behalf.

Executive Director

Executive Director

For the year ended 31 December 2015
(Amounts expressed in thousands of RMB unless otherwise stated)

41. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Accumulated losses	Capital reserve	Share-based payment reserve
At 1 January 2014	(32,737)	119,549	–
Loss for the year	(27,765)	–	–
Recognition of equity-settled share-based payments	–	–	18,165
Exercise of warrants	–	–	(9,652)
At 31 December 2014	(60,502)	119,549	8,513
Loss for the year	(35,142)	–	–
Recognition of equity-settled share-based payments	–	–	15,695
Exercise of warrants	–	–	(1,210)
At 31 December 2015	**(95,644)**	**119,549**	**22,998**

42. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments for the years ended 31 December 2015 and 2014 are set out below:

	Year ended 31 December	
	2015	2014
Basic salaries and allowances	2,283	2,154
Contribution to pension scheme	42	39
	2,325	2,193

(Amounts expressed in thousands of RMB unless otherwise stated)

42. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of every director and the chief executive is set out below:

	Fees	Salary	Housing Allowance	Pension-defined contribution plan	Total
Year ended 31 December 2015					
Executive Directors					
Li Yunde (李運德)	–	747	–	14	761
Geng Guohua (耿國華)	–	474	113	14	601
Lang Weiguo (郎偉國)	–	474	–	14	488
Independent Non-executive Directors					
Lin Chu Chang (林鉅昌)	237	–	–	–	237
Zhang Jingsheng (張涇生)	119	–	–	–	119
Li Xiaoyang(李曉陽)	119	–	–	–	119
Year ended 31 December 2014					
Executive Directors					
Li Yunde (李運德)	–	728	–	13	741
Geng Guohua (耿國華)	–	475	–	13	488
Lang Weiguo (郎偉國)	–	475	–	13	488
Independent Non-executive Directors					
Lin Chu Chang (林鉅昌)	238	–	–	–	238
Zhang Jingsheng (張涇生)	119	–	–	–	119
Li Xiaoyang(李曉陽)	119	–	–	–	119

During the year ended 31 December 2015, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office (2014: same).

42. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

No retirement benefits were paid to the directors during the year ended 31 December 2015 by defined benefit pension plans operated by the Group in respect of their services as directors of the Company and its subsidiaries in connection with the management of the affairs of the Company or its subsidiary undertaking (2014: same).

(c) Directors' termination benefits

No termination benefits were paid to the directors during the year ended 31 December 2015 as compensation for the termination of the appointment of directors (2014: same).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2015, no consideration was paid to the former employers of directors for making available the services of directors of the Company (2014: same).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings entered into by the Company or subsidiary undertaking of the Company in favour of directors during the year ended 31 December 2015 (2014: same).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: same).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**294,481**	426,082	667,904	871,521	1,010,252
Cost of sales	**(329,224)**	(425,238)	(524,245)	(718,715)	(734,056)
Gross (loss)/profit	**(34,743)**	844	143,659	152,806	276,196
Selling and distribution expenses	**(3,034)**	(4,371)	(12,521)	(10,973)	(9,649)
Administrative expenses	**(210,474)**	(55,346)	(47,960)	(49,044)	(41,462)
Finance costs, net	**(21,603)**	(21,818)	(29,938)	(33,727)	(48,463)
Share of loss of an associate	**–**	–	–	–	(1,606)
(Loss)/Profit before tax	**(282,057)**	(96,452)	132,734	66,510	178,032
Income tax credit/(expense)	**18,641**	14,812	(23,627)	(24,113)	(48,042)
(Loss)/Profit attributable to:					
Owners of the Company	**(261,414)**	(78,661)	111,214	94,950	262,566
Non-controlling interests	**(2,002)**	(2,979)	(2,107)	(8,501)	(5,059)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	**585,876**	531,480	640,506	816,150	866,005
Non-current assets	**481,345**	532,622	521,339	245,489	229,349
Current liabilities	**312,541**	247,007	410,416	358,877	484,294
Non-current liabilities	**128,952**	96,907	49,226	110,186	173,167
Equity attributable to:					
Equity holders of the Company	**624,302**	716,791	695,912	588,008	429,403
Non-controlling interests	**1,426**	3,397	6,291	4,568	8,490

Financial Highlights

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash (used in)/generated from operating activities	**(101,274)**	(43,921)	407,421	(17,210)	(150,820)
Net cash (used in)/generated from investing activities	**(144,348)**	29,632	(135,162)	(37,000)	165,998
Net cash generated from/(used in) financing activities	**201,943**	92,187	(289,900)	(65,765)	148,184

SELECTED FINANCIAL RATIOS

	For the year ended 31 December				
	2015	2014	2013	2012	2011
Gross (loss)/profit margin	**(11.8)%**	0.2%	21.51%	17.5%	27.3%
Net (loss)/profit margin	**(89.45)%**	(19.16)%	16.34%	4.9%	12.9%
Gearing ratio	**21.63%**	10.00%	17.20%	31.06%	41.84%