恒實礦業投資有限公司

HENGSHI MINING INVESTMENTS LIMITED

(Incorporated in the British Virgin Islands and continued in the Cayman Islands with limited liability)

Stock Code: 1370

Annual Report

2015

CORE VALUE:

CREATE ***Wealth for the Society***

CREATE ***Value for Our Shareholders***

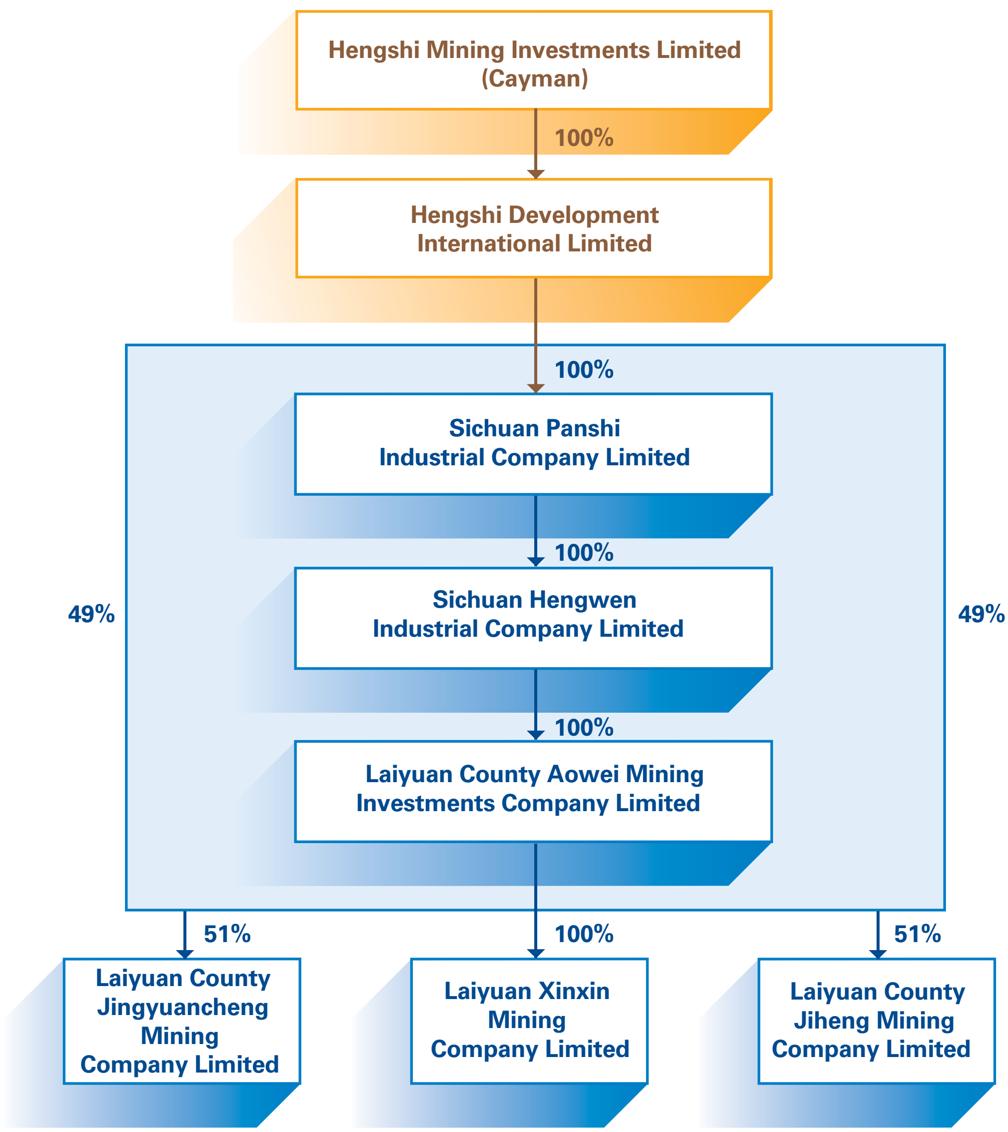
CREATE ***Career for Our Employees***

CONTENTS

CORPORATE INFORMATION

Hengshi Mining Investments Limited (the "Company") was initially incorporated in the British Virgin Islands under the laws of the British Virgin Islands on 14 January 2011 and redomiciled to the Cayman Islands on 23 May 2013. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 November 2013 (stock code: 1370).

The Company and its subsidiaries (together the "Group" or "we" or "our") are principally engaged in the exploration, mining, processing and trading of iron ore products and major products include iron ores, preliminary concentrates and iron ore concentrates. The Group owns and operates four mines in Hebei Province, which has the largest steel production and iron ore consumption volumes in the PRC.



CORPORATE INFORMATION

COMPANY'S STATUTORY CHINESE NAME
恒實礦業投資有限公司

COMPANY'S STATUTORY ENGLISH NAME
Hengshi Mining Investments Limited

STOCK CODE
1370

REGISTERED OFFICE
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Ugland House Grand Cayman KY1-1104
Cayman Islands

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Hebei Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
18/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

AUTHORIZED REPRESENTATIVES
Mr. Li Yanjun
Ms. Kwong Yin Ping, Yvonne

JOINT COMPANY SECRETARIES
Mr. Meng Ziheng
Ms. Kwong Yin Ping, Yvonne

AUDITOR
KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
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HONG KONG LEGAL ADVISOR
Loong & Yeung, Solicitors
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PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS
Maples Fund Services (Cayman) Limited
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KY1-1102
Cayman Islands

CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

INVESTOR INQUIRES

Website: www.hengshimining.com
E-Mail: ir@hengshimining.com

DIRECTORS

Executive Directors

Mr. Li Yanjun *(Chairman)*
Mr. Leung Hongying Li Ziwei
(also known as Li Ziwei) *(Vice Chairman)*
Mr. Xia Guoan *(CEO) (resigned on 30 March 2016)*
Mr. Sun Jianhua *(CFO)*
Mr. Huang Kai *(appointed as CEO on 30 March 2016)*
Mr. Li Jinsheng *(appointed on 30 March 2016)*
Mr. Tu Quanping

Independent Non-executive Directors

Mr. Ge Xinjian
Mr. Meng Likun
Mr. Kong Chi Mo

AUDIT COMMITTEE

Mr. Ge Xinjian *(Chairman)*
Mr. Meng Likun
Mr. Kong Chi Mo

REMUNERATION COMMITTEE

Mr. Meng Likun *(Chairman)*
Mr. Leung Hongying Li Ziwei
(also known as Li Ziwei)
Mr. Ge Xinjian

NOMINATION COMMITTEE

Mr. Li Yanjun *(Chairman)*
Mr. Meng Likun
Mr. Kong Chi Mo

FIVE-YEAR FINANCIAL SUMMARY

SUMMARY DATA OF CONDENSED CONSOLIDATED INCOME STATEMENTS

	For the year ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	**753,663**	1,108,143	1,286,078	581,573	773,127
Cost of sales	**(487,343)**	(553,055)	(575,255)	(393,149)	(351,054)
Gross Profit	**266,320**	555,088	710,823	188,424	422,073
Distribution costs	**(19,989)**	(16,575)	(4,739)	(1,920)	(7,354)
Administrative expenses	**(115,183)**	(142,313)	(107,519)	(101,538)	(103,604)
Impairment losses	**(393,637)**	–	–	–	–
(Loss)/profit from operations	**(262,489)**	396,200	598,565	84,966	311,115
Finance income	**3,466**	10,594	280	115	333
Finance costs	**(27,248)**	(40,026)	(26,574)	(7,621)	(4,176)
Net finance costs	**(23,782)**	(29,432)	(26,294)	(7,506)	(3,843)
(Loss)/profit before taxation	**(286,271)**	366,768	572,271	77,460	307,272
Income tax	**51,190**	(96,206)	(146,659)	(22,666)	(85,282)
(Loss)/profit for the year	**(235,081)**	270,562	425,612	54,794	221,990
Attributable to:					
Equity shareholders of the Company	**(235,081)**	263,000	397,513	48,450	162,510
Non-controlling interests	**–**	7,562	28,099	6,344	59,480
Basic and diluted (loss)/earnings per share (RMB)	**(0.16)**	0.17	0.34	0.04	0.14

FIVE-YEAR FINANCIAL SUMMARY

SUMMARY DATA OF CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Assets and liabilities					
Non-current assets	**1,680,776**	1,904,946	1,241,119	823,636	476,850
Current assets	**384,067**	457,050	1,112,446	222,526	202,333
Non-current liabilities	**(278,971)**	(331,240)	(531,138)	(134,263)	(44,604)
Current liabilities	**(351,868)**	(373,495)	(309,654)	(747,569)	(445,043)
Total equity	**1,434,004**	1,657,261	1,512,773	164,330	189,536
Non-controlling interests	**–**	–	53,694	25,595	57,777
Equity attributable to equity shareholders of the Company	**1,434,004**	1,657,261	1,459,079	138,735	131,759

CHAIRMAN'S STATEMENT

Looking back on 2015, the iron ore industry experienced unprecedented challenge, which had huge influence on the Group's operation results. Facing pressure, however, the management team and all staff of the Group had taken positive measures to achieve healthy business development and financial performance. Looking out for 2016, we believe that opportunities will always come along with challenge. We will leverage on our advantages and improve our management in order to strengthen the ability to withstand risks. We will also seek opportunities of transformation when appropriate in an effort to maximize shareholder's value.

Dear shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of Hengshi Mining Investments Co., Ltd. ("Hengshi" or the "Company"), I am pleased to present the report of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2015 (the "Year") and extend our gratitude to the shareholders of the Company (the "Shareholders").

ANNUAL REVIEW

In 2015, the macro-economy of China was complicated and fluctuating. Affected by factors including overcapacity and restructuring of industry, the economic growth showed indications of slowing down. According to the latest statistics, the GDP of China grew by 6.9% in 2015, which was the lowest growth rate since 1990. Particularly, traditional industries' continuous decapacity and slow growth of fixed assets investment had resulted in a decline of the domestic steel demand. Meanwhile, as the international major mining manufacturers increased productivity continuously, the imported iron ore price kept declining, which meant a stronger effect of import substitution. The domestic high-cost mines were forced out of the market, bringing further challenge to the domestic iron ore mining industry.

Facing the pressure of the downturn of the industry, all members of the Group had took positive measures including technology upgrade, refined management, adjustment of the production plan of high-cost mines and cutting down of staff to reduce cost, which led to a healthy business development in the industry. The production and sales of the Group's iron ore concentrates had achieved a steady growth with production volume amounting to 1,608.0 thousand tonnes (corresponding period in 2014: 1,459.6 thousand tonnes), representing a year-on-year increase of approximately 10.2%, and sales volume amounting to approximately 1,642.2 thousand tonnes (corresponding period in 2014: 1,347.0 thousand tonnes), representing a year-on-year increase of approximately 21.9%. While the production expanded, the Group had kept its advantage of low cost, with the cash operation cost of approximately RMB255.2/tonne in 2015, representing a decrease of approximately RMB107.3/tonne or approximately 29.6% as compared with the corresponding period last year.

FUTURE OUTLOOK

The Group estimated that the iron ore industry will face the problem of lowering demand and decapacity of the downstream industries in the long-run, which meant that the iron ore price will experience high fluctuation. However, the Group will adhere to its core value and keep close eye on the periodical and local opportunities of the domestic economy, for instance, the demand for steel from the infrastructural investment of the "thirteenth 5-year plan" and the application of steel in new industries like clean energy equipment and high-tech equipment. With these efforts, the Group wishes to maximize return on investment when iron ore price bounces back and enhance profitability.

Looking forward, we will continue to strengthen the Company's advantage in cost and management, trying to evaluate and seek opportunities for diversified development and obtain new growth area to achieve a sustainable development, while holding on to the Company's main business.

CHAIRMAN'S STATEMENT

APPRECIATION

Amid the difficulties and challenges of 2015, the Group had still maintained healthy financial performance and development trend. On behalf of the Board, I hereby wish to express my heartfelt appreciation to all Shareholders, staff and business partners of the Group for their contribution and devotion over the last year.

Li Yanjun
Chairman of the Board


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MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2015, the Chinese government continued its reform of economic structure and took measures to stimulate domestic demand in an effort to maintain economic growth. As the Chinese economy entered the "New Normal", the industrial structure continued to experience an in-depth adjustment, from relying mainly on investment and export motivated to relying on consumption, investment and export coordinated-motivated. Meanwhile, the traditional manufacture and real estate markets continue the process of de-capacity and destocking; fixed investment was in a sluggish growth, which brought in a decrease of steel consumption in the whole country for the first time in recent 20 years.

In the situation of weak domestic demand, expansion of steel export became an important measure to relieve the high steel stock. Leveraging on the low-cost advantage, as well as the implementation of "One Belt, One Road" strategy, Chinese enterprises' project contracts in the countries alongside the "Belt and Road" grew very quickly. These contracts helped the steel of PRC enter into the international market. The steel export reached a historical high of 110 million ton for the year of 2015. However, since the global economy environment is still fast changing and trade protectionism is resurging, and the Chinese steel export has accounted for 20 percent of that of the entire international market, there will be greater resistance to a further increase of steel export.

The Chinese government has made further policies to relieve the problems of lagging behind and over-surplus of productivity of the steel industry. In February 2016, the State Council announced the Opinions on the Steel Industry to Resolve Overcapacity and Relief (《關於鋼鐵行業化解過剩產能實現脱困發展的意見》), which focused on the structural reform of the supply side of the steel industry, relieving the problems of surplus of productivity positively and properly. On the basis of the volume of overcapacity shut down in recent years, it was planned to further cut down crude steel production volume of 100–150 million tonnes in the five years beginning in 2016.

In the upstream market, as the international mainstream low-cost mines productivity expanded, the iron ore market also faces the problem of over-supply. The cost support of iron ore continued to move down, and the international big manufacturers still adopted the strategy of maintaining market share, which resulted in a fierce market competition that made the global iron ore price to further plummet in 2015. The average selling price of the Company also decreased from RMB 607.1/t to RMB 423.4/t, having negative effect on the operation results of the Group.

BUSINESS HIGHLIGHTS

During the Reporting Period, the Group has completed the planned three-year infrastructural stripping projects, further releasing the productivity of current mines. But due to the hosting of the IAAF World Championships and the celebration activities in respect of the 70th anniversary of the victory of the Chinese people's war of resistance against Japanese aggression in Beijing, short-term discontinuation of production in areas around Beijing was required according to the serious pollution weather Grade I responsive measure. In addition, the recession of upstream and downstream markets, the slide of the product's price as well as the decreasing domestic demand of iron ore further led to the intermittent discontinuation of some of our subsidiaries in the second half of the year, which had negative effect on the Group's results.

The Group has taken measures to cut cost, including improving productivity through facility upgrade, cutting personnel of administrative functions and increasing the levels of refined management. Meanwhile, positive marketing strategy was also adopted in an effort to deal with the challenge brought by decreasing downstream demand and lowering price.

MANAGEMENT DISCUSSION AND ANALYSIS

Since Laiyuan County Jiheng Mining Co., Ltd. (the "**Jiheng Mining**") acquired the wet processing plant, the direct sale of low value-added products like iron ore and preliminary concentrates have decreased significantly. The full operation of Jiheng Mining's wet processing plant in the year resulted in the production and sale of iron ore concentrates reaching a new high. For the Reporting Period, production of iron ore concentrates of the Group reached 1,608.0 thousand tons (corresponding period in 2014: 1,459.6 thousand tons), representing a year-on-year growth of approximately 10.2%. Sales volume of iron ore concentrates reached 1,642.2 thousand tons (corresponding period in 2014: 1,347.0 thousand tons), representing a year-on-year growth of approximately 21.9%.

The table below sets out the breakdown of output and sales volume for each operating subsidiary of the Group:

	Output (Kt)			Sales volume (Kt)			Average sales price (RMB)		
The Group	**2015**	2014	% of change	**2015**	2014	% of change	**2015**	2014	% of change
Jiheng Mining									
Iron ores	3,804.8	2,811.9	35.3%	124.0	1,245.8	-90.0%	94.0	205.0	-54.1%
Preliminary concentrates	2,106.6	1,627.1	29.5%	460.6	258.9	77.9%	100.9	134.0	-24.7%
Iron ore concentrates	943.0	547.1	72.4%	982.4	476.6	106.1%	406.1	569.9(1)	-28.7%
Jingyuancheng Mining									
Iron ores	6,308.9	8,472.2	-25.5%	n/a	n/a	n/a	n/a	n/a	n/a
Preliminary concentrates	2,255.5	2,730.7	-17.4%	n/a	n/a	n/a	n/a	n/a	n/a
Iron ore concentrates	522.8	623.4	-16.1%	488.1	619.0	-21.1%	459.2	632.9(2)	-27.4%
Xinxin Mining									
Iron ores	1,407.3	3,310.4	-57.5%	n/a	n/a	n/a	n/a	n/a	n/a
Preliminary concentrates	543.4	1,174.6	-53.7%	n/a	n/a	n/a	n/a	n/a	n/a
Iron ore concentrates	142.2	289.1	-50.8%	171.7	251.4	-31.7%	420.6	614.2(2)	-31.5%
Total									
Iron ore concentrates	1,608.0	1,459.6	10.2%	1,642.2	1,347.0	21.9%	423.4	607.1	-30.3%

Notes:

(1) The TFe grade of iron ore concentrates sold by Jiheng Mining was 63%;

(2) The TFe grade of iron ore concentrates sold by Laiyuan County Jingyuancheng Mining Company Limited (the "Jingyuancheng Mining") and Laiyuan Xinxin Mining Company Limited (the "Xinxin Mining") was 66%.

RESOURCES AND RESERVES

No exploration activities were carried out by the Group in 2015, and no exploration expenses had been incurred for the year ended 31 December 2015.

Based on the most recent estimation results on the reserves less the consumption for the current period, the iron ore reserves which complied with JORC Code (2004 Edition) in respect of each mine of the Group as at 31 December 2015 are shown in the following table:

Company	Mine	Exploration approach	Reserve category	Depleted reserve[1]			Ore reserves[2]		
				(Kt)	TFe(%)	mFe(%)	(Kt)	TFe(%)	mFe(%)
Jiheng Mining	Zhijiazhuang	Open-pit	Probable	3,805	26.15	24.73	12,589	27.07	25.83
	Subtotal			3,805	26.15	24.73	12,589	27.07	25.83
Jingyuancheng Mining	Wangergou	Open-pit	Probable	5,561	13.54	5.78	31,830	13.31	6.21
		Underground	Probable (graded 12% or above)	–	–	–	18,077	15.87	8.50
	Subtotal			5,561	13.54	5.78	49,907	14.07	6.89
	Shuanmazhuang	Open-pit	Probable	747	14.02	5.95	88,666	13.55	5.54
		Underground	Probable (graded 12% or above)	–	–	–	35,723	16	7.11
	Subtotal			747	14.02	5.95	124,389	14.24	5.99
Xinxin Mining	Gufen Mining	Open-pit	Probable	1,407	12.99	6.49	50,672	12.76	6.25
		Underground	Probable (graded 12% or above)	–	–	–	58,750	15.35	8.50
	Subtotal			1,407	12.99	6.49	109,422	14.12	7.43
Total		Open-pit	Probable	11,520	17.67	12.14	183,757	14.62	7.85
		Underground	Probable (graded 12% or above)	–	–	–	112,550	15.64	8.06
		Total	Probable	11,520	17.67	12.14	296,307	14.98	7.92

Notes:

(1) Consumption of reserves represents the production statistical results of the mines for the current period, which are reviewed by the internal experts of the respective mining companies and internal experts of the Group.

(2) The outcome of the ore reserves in this report was based on the estimated results of the ore reserves stated in the Competent Person's Report by SRK in November 2013 less the consumption from 1 July 2013 to 31 December 2015, the estimated assumptions in the report published in 2014 has not been changed.

MANAGEMENT DISCUSSION AND ANALYSIS

Based on the most recent estimation results on resources less the consumption for the current period, as at 31 December 2015, the iron ore resources which complied with JORC Code (2004 Edition) in respect of each mine of the Group are as follows:

Company	Mine	Resource class	Depleted resource for the period[1]			Resource at the end of the period[2]		
			(Kt)	TFe(%)	mFe(%)	(Kt)	TFe(%)	mFe(%)
Jiheng Mining	Zhijiazhuang	Indicated resource	3,766	26.95	25.5	15,932	24.85	23.69
		Inferred resource	–	–	–	9,426	27.58	25.82
Jingyuancheng Mining	Wangergou	Indicated resource	5,504	13.96	5.96	63,254	13.74	6.45
		Inferred resource	–	–	–	39,250	13.03	5.85
	Shuanmazhuang	Indicated resource	740	14.45	6.13	150,810	13.97	5.73
		Inferred resource	–	–	–	73,935	12.81	4.92
Xinxin Mining	Gufen	Indicated resource	1,393	13.39	6.69	153,413	13.21	6.5
		Inferred resource	–	–	–	101,100	12.44	6.03
Total		Indicated resource	11,403	18.21	12.51	383,409	14.41	7.11
		Inferred resource	–	–	–	223,711	13.30	6.46
		Total resources	11,403	18.21	12.51	607,120	14.00	6.87

Notes:

(1) Consumption of resources is based on the production statistical results of the mines for the current period, which are reviewed by the internal experts of the respective mining companies and the internal experts of the Company.

(2) The resources at the end of the year include a proportion of resources which are not covered by the mining license. There is no estimation on new resources during the year ended 31 December 2015, which does not give rise to any changes on the estimation and assumption of the resources completed by SRK in 2013.

MINES IN OPERATION

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly owned and operated by Jiheng Mining, is located in Yangjiazhuang Village, Laiyuan County. It has an area of 0.3337 sq.km covered by its mining permit and has comprehensive basic infrastructures such as water, electricity, highway and railway, etc. The annual mining capacity of Zhijiazhuang Mine was 2.4 Mtpa, and the dry processing capacity and the wet processing capacity were 4.20 Mtpa and 1.80 Mtpa respectively, as at 31 December 2015.

The following table sets forth a breakdown of cash operating costs of Zhijiazhuang Mine:

Iron ore

	As at the end of 31 December		
Unit: RMB per tonne of iron ore	**2015**	2014	% change
Mining costs	**15.1**	16.5	-8.5%
Administrative expenses	**3.1**	6.8	-54.4%
Distribution costs	**1.7**	3.3	-48.5%
Taxation	**5.8**	11.1	-47.7%
Total	**25.7**	37.7	-31.8%

A decrease in the unit cash operating cost of iron ore was primarily due to adjustment of production plan and improvement of the mining grade by Jiheng Mining in response to market conditions, as well as lower resources tax during the Reporting Period.

Preliminary concentrates

	As at the end of 31 December		
Unit: RMB per tonne of preliminary concentrates	**2015**	2014	% change
Mining costs	**31.5**	45.0	-30.0%
Dry-processing costs	**11.1**	13.7	-19.0%
Administrative expenses	**6.5**	18.5	-64.9%
Distribution costs	**1.5**	3.3	-54.5%
Taxation	**8.4**	13.7	-38.7%
Total	**59.0**	94.2	-37.4%

A decrease in the unit cash operating cost of preliminary concentrates sold by Jiheng Mining was primarily due to lower resources tax and an increase in output resulting from decreased processing ratio and improved dry processing efficiency, owning to an increase in the grade of iron ores as raw materials since Jiheng Mining terminated producing preliminary concentrates from weakly mineralized wall rocks in the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Iron ore concentrates

Unit: RMB per tonne of iron ore concentrates	As at the end of 31 December 2015	2014	% change
Mining costs	**59.8**	94.2	-36.5%
Dry-processing costs	**21.1**	28.7	-26.5%
Wet-processing costs	**54.3**	77.1	-29.6%
Administrative expenses	**12.4**	31.6	-60.8%
Distribution costs	**8.6**	3.3	160.6%
Taxation	**16.7**	32.4	-48.5%
Total	**172.9**	267.3	-35.3%

A decrease in the unit cash operating cost of iron ore concentrates was primarily due to lower transportation cost of preliminary concentrates resulting from termination of consigned processing after the operation of new wet processing plant by Jiheng Mining, and an increase in output as a result of lower comprehensive processing ratio and enhanced processing efficiency due to increased quality of iron ores being ground (iron ore concentrates were commissioned to be produced by preliminary concentrates mainly made from weakly mineralised wall rocks in the corresponding period in 2014), as well as a resources tax reduction.

For the Reporting Period, the mining expenses of Zhijiazhuang Mine which was recognized in the statement of profit or loss was approximately RMB125.1 million and there was no newly capitalized production stripping costs. The capital expenditure of Zhijiazhuang Mine was approximately RMB61.8 million, mainly due to the payment of RMB30.0 million for the purchase of the related assets of tailings reservoir and transformer substation, a final payment of RMB20.0 million to purchase the mining rights, the expenditure of approximately RMB7.8 million on technology upgrade and other sporadic constructions, and the expenditure of RMB4.0 million on acquisition of land.

Wang'ergou Mine and Shuanmazhuang Mine

Wang'ergou Mine and Shuanmazhuang Mine, which are both wholly owned and operated by our wholly owned subsidiary, Jingyuancheng Mining, are located in Zoumayi Village, Laiyuan County. The areas covered by the mining licenses for Wang'ergou Mine and Shuanmazhuang Mine are 1.5287 sq.km. and 2.1871 sq.km respectively. Wang'ergou and Shuanmazhuang have comprehensive basic infrastructures such as water, electricity and highway. As at 31 December 2015, the aggregate annual mining capacity of Wang'ergou Mine and Shuanmazhuang Mine was 14.0 Mtpa, and the dry processing capacity and wet processing capacity were 17.6 Mtpa and 3.5 Mtpa, respectively.

The following table sets forth a breakdown of the cash operating costs of Wang'ergou Mine and Shuanmazhuang Mine:

Iron ore concentrates

	As at the end of 31 December		
Unit: RMB per tonne of iron ore concentrates	**2015**	2014	% change
Mining costs	**107.1**	140.2	-23.6%
Dry-processing costs	**71.1**	65.7	8.2%
Wet-processing costs	**108.3**	121.2	-10.6%
Administrative expenses	**38.1**	42.9	-11.2%
Distribution costs	**20.2**	16.2	24.7%
Taxation	**19.4**	32.8	-40.9%
Total	**364.2**	419.0	-13.1%

A change in the unit cash operating cost of iron ore concentrates was primarily due to lower mining and processing costs resulting from increased mining grade, properly adjusted stripping ratio and the lower tax liability as a result of decreased resources tax. Meanwhile, Jingyuancheng Mining began to handle part of the customers' products transportation so as to reduce the overall costs.

For the Reporting Period, the mining expenses of Wangergou Mine and Shuangmazhuang Mine which was recognized in the statement of profit or loss was approximately RMB66.8 million. The capital expenditure of Wangergou Mine and Shuangmazhuang Mine was approximately RMB123.9 million, including the expenditure of approximately RMB31.9 million on infrastructural stripping projects, approximately RMB79.0 million on technology upgrade of dry processing plant, approximately RMB8.9 million on the construction payments of Dabugou tailings reservoir and approximately RMB4.1 million on other sporadic constructions.

The Wangergou Mine and Shuanmanzhuang Mine has completed in 2015 the three-year infrastructural stripping projects that began in 2013, which involved an aggregated capitalized production stripping costs of approximately RMB147.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Gufen Mine

Gufen Mine, which is owned and operated by our wholly owned subsidiary, Xinxin Mining, is located in Shuibao Village, Laiyuan County and the area covered by the mining right for Gufen Mine is 1.3821 sq.km. Gufen Mine has comprehensive basic infrastructures such as water, electricity and highway, etc. As at 31 December 2015, Gufen Mine's annual mining capacity was 3.90 Mtpa, and the dry processing capacity and the wet processing capacity were 5.75 Mtpa and 1.60 Mtpa, respectively.

The following table sets forth a breakdown of the cash operating costs of Gufen Mine:

Iron ore concentrates

	As at the end of 31 December		
Unit: RMB per tonne of iron ore concentrates	**2015**	2014	% change
Mining costs	**101.8**	150.9	-32.5%
Dry-processing costs	**65.6**	62.2	5.5%
Wet-processing costs	**127.0**	116.6	8.9%
Administrative expenses	**82.8**	58.4	41.8%
Distribution costs	**0.7**	N/A	N/A
Taxation	**22.8**	32.6	-30.1%
Total	**400.7**	420.7	-4.8%

The lower unit cash operating cost of the iron ore concentrates was mainly due to lower mining costs resulting from increased mining grade, properly adjusted stripping ratio and the lower general tax liability as a result of lower resources tax, and the effect above was partly offset by the extension of discontinuation of production which increased the unit administrative expenses.

For the Reporting Period, the mining expenses of Gufen Mine which was recognized in the statement of profit or loss was approximately RMB21.8 million. The capital expenditure of Gufen Mine was approximately RMB18.5 million, mainly due to the expenditure of approximately RMB17.6 million on the infrastructural stripping projects and approximately RMB0.9 million on other sporadic constructions.

The Gufen Mine has completed in 2015 the three-year infrastructural stripping projects that began in 2013, which involved an aggregated capitalized production stripping costs of approximately RMB120.1 million.

SAFETY AND ENVIRONMENTAL PROTECTION

The Group established a production safety management department specifically responsible for production safety and management. This department had been consistently promoting safety standards and strengthening environmental protection policies so as to develop the Group into a socially responsible enterprise with high safety awareness. During the Reporting Period, the Group recorded no significant safety accident.

Owing to the deteriorating air quality in Mainland China, especially in Beijing and Hebei Province, it is anticipated that the government will inevitably tighten the relevant environmental policies over resource mining, steelmaking, cement production and other high-pollution industries. To mitigate the potential impact of the policies to our business, the Group will closely monitor the latest regulatory requirements and introduce appropriate environmental measures to our operation and production from time to time.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had 1,026 employees in total (1,447 employees in total as at 31 December 2014). The total remuneration expenses and the amounts of other employees' benefit were approximately RMB85.1 million (the corresponding period in 2014: approximately RMB113.9 million). Employee costs include basic remuneration, incentive salary, social pension insurance, medical insurance, work-related injury insurance and other insurances required by the government. According to the Group's remuneration policy, the employees' income is linked to the performance of individual employee and the operation performance of the Group. The Group carried out performance assessment to stimulate employee initiatives, so as to enhance the operation efficiency of the Group.

FINANCIAL REVIEW

Revenue

The revenue of our Group for the Reporting Period was approximately RMB753.7 million, representing a decrease of approximately RMB354.5 million or 32.0% as compared to the corresponding period last year, which was mainly due to the decline of the average selling price of the Group's products. The main reason for the sharp decline in iron ore's proportion in both volume and revenue was that the wet processing plant of Jiheng Mining operated a full year for the first time in 2015, and iron ores were processed into iron ore concentrates with higher added value for sale.

Cost of sales

The Group's cost of sales for the Reporting Period was approximately RMB487.3 million, representing a decrease of approximately RMB65.7 million or 11.9% as compared to the corresponding period last year. The main reason for the decrease was the further reduction of the cost of the Group's products.

Gross profit and gross profit margin

The gross profit of the Group for the Reporting Period was approximately RMB266.3 million, representing a decrease of approximately RMB288.8 million or 52.0% as compared to the corresponding period last year. The Group's gross profit margin for the Reporting Period decreased to approximately 35.3% from approximately 50.1% as compared to the corresponding period last year, which was mainly due to the decline of the average unit selling price of the Group's products and the effect of which had been partly offset by the decline of the cost.

Sales and distribution expenses

The Group's sales and distribution expenses for the Reporting Period were approximately RMB20.0 million, representing an increase of approximately RMB3.4 million or 20.6% as compared with the corresponding period last year, which was mainly due to the increase in proportion of the products which the Group were responsible for the delivery to the customers and the related transportation cost. Sales and distribution expenses included transportation expenses, labour cost and other expenses.

Administrative expenses

The Group's administrative expenses for the Reporting Period were approximately RMB115.2 million, representing a decrease of approximately RMB27.1 million or 19.1% as compared with the corresponding period last year. Administrative expenses included salaries paid to the management and administrative staff of the Group, depreciation and amortization, rental and office expenses, business development expenses, professional consulting and services expenses, taxation expenses, the bank commissions, provision for impairment of inventories, the provision for bad debts and other expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment losses

The impairment losses of the Group for the Reporting Period amounted to approximately RMB393.6 million. As a result of the expected declining trend of iron ore product price forecasts and the consequent deferral of mine development plan in the second half of 2015, the Group identified indications of impairment in relation to Jingyuancheng Mining and Xinxin Mining, and engaged an independent third party valuer (the "Valuer") to appraise the latest value in use (the "Appraisal Value") of the long-term assets, including property, plant and equipment, construction in progress, intangible assets (the "Assets of Appraisal") of Jingyuancheng Mining and Xinxin Mining with the appraisal benchmark date being 31 December 2015. The said appraisal was conducted based on the assumptions set out in note 15(b) to the consolidated financial statements of this annual report and certain general assumptions, including, among others, the assumptions that (1) there would be no significant changes to the domestic macro-economy, external economic conditions and taxation policies; (2) the influence of inflation was not taken into consideration; and (3) there would be effective trading market and continuous operation of the Assets of Appraisal. Pursuant to the valuation reports prepared by the Valuer, the Appraisal Values of the Assets of Appraisal of Jingyuancheng Mining and Xinxin Mining were approximately RMB537.9 million and approximately RMB206.2 million respectively.

Finance cost

The Group's finance cost for the Reporting Period was approximately RMB27.2 million, representing a decrease of approximately RMB12.8 million or 31.9% as compared to the corresponding period last year, which was mainly due to amortization of the discount expenses of long-term payables and decrease of foreign exchange losses as compared with the corresponding period last year. Finance cost included interest expenses of bank borrowings, discounted expenses, other finance expenses and the amortization of discounted expenses of long-term payables.

Income tax credits/(expenses)

The Group's income tax credits for the Reporting Period were approximately RMB51.2 million, while the income tax expenses for the corresponding period last year were approximately RMB96.2 million. Income tax comprises current tax and deferred tax, including (1) current tax payable of approximately RMB44.7 million; (2) the deferred tax credits of approximately RMB95.9 million which arose from the provision of impairment of long-term assets including property, plant and equipment, construction in progress, intangible assets of Jingyuancheng Mining and Xinxin Mining for the year.

(Loss)/profit for the year and total comprehensive income for the year

Based on the above reasons, the Group's loss for the Reporting Period amounted to approximately RMB235.1 million, while the profit for the corresponding period last year was approximately RMB270.6 million. The Group's total comprehensive loss for the Reporting Period was approximately RMB235.0 million, while the total comprehensive income for the corresponding period last year was approximately RMB274.2 million.

The (loss)/profit attributable to equity shareholders of the Company and total comprehensive income attributable to equity shareholders of the Company

The loss attributable to equity shareholders of the Company for the Reporting Period was approximately RMB235.1 million, while the profit for the corresponding period last year was approximately RMB263.0 million. The total comprehensive loss attributable to equity shareholders of the Company for the Reporting Period was approximately RMB235.0 million, while the profit for the corresponding period last year was approximately RMB266.6 million.

Property, plant and equipment

The net value of the Group's property, plant and equipment as at 31 December 2015 was approximately RMB724.5 million, representing an increase of approximately RMB86.9 million or 13.6% as compared to the corresponding period of last year, which was mainly due to (1) the transfer from construction in progress to fixed assets of the stripping construction, high pressure tumbling mill projects of Jingyuancheng Mining and Xinxin Mining, and (2) the provision of impairment of property, plant and equipment of Jingyuancheng Mining and Xinxin Mining.

Inventories

Inventories of the Group amounted to approximately RMB115.1 million as at 31 December 2015, representing a decrease of approximately RMB22.4 million or 16.3% as compared to the corresponding period of last year, which was mainly due to the active marketing strategies of the Group.

Trade and other receivables

The Group's trade receivables amounted to approximately RMB92.3 million as at 31 December 2015, representing a decrease of approximately RMB34.0 million as compared to the corresponding period of last year, which was mainly due to the active marketing and payment strategies taken by the Group in dealing with the current marketing condition in the Reporting Period. Other receivables of the Group amounted to approximately RMB117.3 million as at 31 December 2015, representing an increase of approximately RMB91.4 million as compared to the corresponding period of last year, which was mainly due the increase of the Group's prepayment to suppliers.

Trade and other payables

The Group's trade payables amounted to approximately RMB40.0 million as at 31 December 2015, representing a decrease of approximately RMB34.4 million as compared to the corresponding period of last year, which was mainly due to the payment to main suppliers.

The Group's other payables amounted to approximately RMB90.8 million as at 31 December 2015, representing a decrease of approximately RMB29.2 million as compared to the corresponding period of last year, which was mainly due to the decrease of construction in progress and the tax payable.

Cash usage analysis

Summary of our Group's consolidated cash flow statement in 2015 is set out as follows.

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Net cash flow generated from operating activities	**123,665**	137,478
Net cash flow used in investment activities	**(216,121)**	(716,028)
Net cash flow used in finance activities	**(15,586)**	(242,065)
Net decrease in cash and cash equivalents	**(108,042)**	(820,615)
Cash and cash equivalents at the beginning of the year	**167,431**	987,562
Effect of foreign exchange rate changes on cash and cash equivalents	**106**	484
Cash and cash equivalents at the end of the year	**59,495**	167,431

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash flow generated from operating activities

The Group's net cash generated from operating activities for the Reporting Period amounted to approximately RMB123.7 million, which mainly included the loss before tax of approximately RMB286.3 million, the non-cash expenses of approximately RMB528.4 million (e.g. impairment losses, depreciation and amortization and net loss from disposal of assets), and decease of approximately RMB22.4 million of inventories because of active marketing strategy. The effect of factors above were partly offset by the increase of approximately RMB66.6 million on trade and other receivables and the decrease of approximately RMB43.3 million on trade and other payables arising from the decrease of tax other than income tax.

Net cash flow used in investment activities

The net cash outflow from investing activities for the Reporting Period was approximately RMB216.1 million, which primarily represented cash payment of approximately RMB190.7 million for construction in progress, plant and equipment arising from expansion of productivity, the acquisition of wet process plants and tailings reservoir by Jiheng Mining, and the payment of RMB25.5 million to acquire the mining rights of Jiheng Mining.

Net cash flow used in finance activities

The Group's net cash outflow from financing activities for the Reporting Period was approximately RMB15.6 million, which was mainly due to the payment of bank interests.

Cash and borrowings

As at 31 December 2015, cash balance of the Group amounted to approximately RMB59.5 million, representing a decrease of approximately RMB107.9 million or approximately 64.5% as compared to the corresponding period of last year.

As at 31 December 2015, bank borrowings balance of the Group were approximately RMB200.0 million, all of which are repayable within 1 year with fixed interest rate.

The Group's wholly-owned subsidiary Jiheng Mining entered into a comprehensive credit contract with the Baoding Dongfeng Road Sub-branch of Bank of Cangzhou Ltd on 15 December 2015. The term of the credit begins from the signing of the contract until 14 January 2017, and the total credit amounted to RMB160.0 million, of which bank loan amounting to RMB110.0 million and bank acceptance bill amounting to RMB50.0 million.

The credit was jointly guaranteed by Beijing Tong Da Guang Yue Trading Co, Ltd, Laiyuan County Aowei Mining Investments Limited (the "Aowei Mining"), Laiyuan County Jianyuancheng Mining Limited and Laiyuan County Xinxin Mining Limited, and was also secured by the mortgage of the property and real estate of Beijing Tong Da Guang Yue Trading Co. Ltd's (北京通達廣悅商貿有限公司). Since Mr. Li Yanjun, a controlling shareholder of the Company holds 50% of the equity of Beijing Tong Da Guang Yue Trading Co., Ltd, the above provision of guarantee and security constituted a financial assistance and connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Since the financial assistance was conducted on normal commercial terms or better, and was not secured by the Group's assets, it was fully exempt from the reporting, announcement and independent shareholder's approval requirement pursuant to Rule 14A.90 of the Listing Rules.

Jiheng Mining has exhausted the credit amount in January 2016.

Other than as disclosed in note 22 to the consolidated financial statements of the Group for the year ended 31 December 2015 and disclosed above, the Group has no outstanding mortgages, pledges, bonds or other loan capital (whether issued or agreed to be issued), bank overdrafts, borrowings, acceptance liabilities or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that, save as disclosed above, there is no material changes in the liabilities and contingent liabilities of the Group since 31 December 2015.

Gearing ratio

The gearing ratio of the Group increased from approximately 29.8% on 31 December 2014 to approximately 30.6% on 31 December 2015, which is calculated by dividing the total debts by total assets.

Interest rate risk and foreign currency risk

The fair value interest rate risk of our Group is primarily related to the bank borrowings. The bank borrowings of the Group mostly expire within one year, therefore the fair value interest rate risk was low. The Company currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate risk and will consider to hedge significant interest rate risk when necessary.

The principal business of the Group is located in China and the principal operation and transactions are carried out in RMB. Substantially all of the assets and liabilities of the Group are denominated in RMB. Since RMB is not freely convertible, there is a risk that Chinese government may take actions to affect the exchange rate exposure, which may affect the Group's net assets, earnings and any dividends it declares if such dividends are translated into foreign currency. The Group had no hedging in respect of the exchange rate risk.

Significant acquisitions and disposals of subsidiaries and affiliated companies

During the Reporting Period, the Group had no significant acquisitions and disposals of subsidiaries and affiliated companies.

Pledge of assets and contingent liabilities

The Group's bank loans were secured by the mining rights of Jiheng Mining, and the aggregate net book value of the pledged mining rights amounted to approximately RMB81.0 million as at 31 December 2015.

The Group had no material contingent liabilities as at 31 December 2015.

Use of proceeds from the funds raised

A total of HK$1,225.1 million (equivalent to approximately RMB969.1 million) was raised from the listing of the shares of the Company. Expenses including commissions paid to the sponsor, underwriting fees and related professional fees amounted to approximately RMB71.1 million. The remaining fund raised was utilized in the following manner: (i) approximately RMB629.9 million was used as the fund for the Company's expansion plan; (ii) RMB110.0 million was used for the repayment of the bank loan due to China Construction Bank Corporation Rongcheng Sub-branch; (iii) approximately RMB89.8 million was used as the replenishment of the working capital of the Company; and (iv) approximately RMB68.3 million was used for acquiring mining assets.

As at 31 December 2015, the net proceeds received by the Company from the listing of its shares have been fully utilized in accordance with the disclosures set out in the section headed "Use of Proceeds" in the prospectus of the Company dated 18 November 2013, the announcement of the Company dated 13 June 2014 in relation to change in use of proceeds and the announcement of the Company dated 10 December 2014 in relation to further change in use of proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

Looking forward to 2016, the Group still considers that China's steel industry will face a difficult year. According to the prediction of a report from the China Metallurgical Industry Planning and Research Institute, the consumption and production of steel have both reached peak amount and are decreasing, and this declining trend will continue in 2016.

The steel industry is an important area where over-productivity will be resolved to implement the supply-side reform. It is expected that the Chinese government will take a set of measures to ensure "survival of the fittest" in the steel market, carrying out merger and acquisition and bankruptcy to accelerate the clearing of overcapacity.

However, the process of clearing overcapacity is a long-term task, and under the pressure of economic downturn and low downstream demand, the steel price is unlikely to bounce significantly. As the new Environmental Protection Law comes into effect, there will be a general increase in the environmental cost of enterprises. The enterprises' finance cost will also be difficult to be reduced in the short term since the depreciation of Renminbi and risk of bad debt will also raise the finance cost.

Meanwhile, the iron ore import will probably continue to grow, mainly attributable to the import substitution of the Brazilian and Australian big resource companies. As the price of imported iron ore keeps decreasing, it is estimated that domestic iron ore enterprises with high operating costs will be forced out of the market.

Facing these factors, the Group will keep on seeking development opportunities in a time of recession of the industry by leveraging on its advantages and catching up with the situation. According to the 2016 Government Report of Hebei Province, "maintaining a stable development" is still one of the focuses in 2016. The report further promoted the acceleration of the construction of some infrastructure, including the 61 projects which involve cooperation with the central enterprises. The infrastructure investment under the guidance of the central government is also one of the key tasks in 2016. These construction projects will maintain the demand for steel to some extent. The Plan for Coordinated Development of Beijing, Tianjin and Hebei will also bring more infrastructure investment opportunities in the future, and resources industries including the steel industry will benefit from this plan.

BUSINESS STRATEGY

In accordance with the pervious analysis, the management predicts that the iron ore price will stay weak in the short term, which means that the Group's business will still face difficult challenge. In dealing with the current market conditions, the management has taken various measures to improve the overall business efficiency and return and retain shareholder value, including:

1. Focus on operation efficiency and properly plan the annual production of each mine, and watching closely the change of market conditions, considering cutting of production or discontinuation of the high-cost and loss-making mines.

2. Continue to improve the level of refined management of the Group, cutting cost by adjustment of management organization, downsizing of personnel, control of operation expenditure and cutting of investment, in hopes of improving cash flow.

As the Chinese economy entered the New Normal, together with the in-depth restructuring of the industry and the gradual transformation to a mature economy of coordinated development of consumption, investment and export, the management will keep a close eye on the market change and seek new business opportunities with high potential.

REPORT OF THE DIRECTORS

The Directors are pleased to present the report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2015 (the "Reporting Period").

PRINCIPAL ACTIVITIES

The Group is principally engaged in the exploration, mining, processing and trading of iron ore products and the major products include iron ores, preliminary concentrates and iron ore concentrates. Details of the principal subsidiaries of the Company are set out in note 16 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of the Group's activities, including a business review of the Group for the Reporting Period and an indication of likely future developments in the Group's business using financial key performance indicators, can be found in the section headed "Management Discussion and Analysis" as set out on pages 12 to 25 of this annual report. These discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to the business of the Group and some are from external sources. Major risks are summarized below.

The risks arising from macro-economy

As the domestic economic growth slows down, the real estate and steelmaking industries are facing pressure of de-stocking and de-capacity. The market demands are sluggish generally, which resulted in the demand for iron ores to contract, further affecting both the selling price and sales volume of iron ores.

The Group will keep a close eye on the market conditions, adjusting production plan properly and adopting active marketing strategy to increase sales. Meanwhile, in order to deal with the recession of the industry, the Group will also control capital expenditure strictly and cut costs to maintain the operation cash flow at a stable level.

Risks arising from competition

According to the report or production information published by major international iron ore producers, production plan previously formulated by such producers will continue to be performed and there will be no large-scale cut of productivity. As a result, their low-cost products will continue to enter the international markets including China, and domestic steel manufacturers will import more of their iron ore products, which will affect the sales of domestic iron ore producers.

The Group will try to maintain its market share in Hebei and Shanxi Province through active marketing strategy and good relationship with downstream customers.

Risks arising from product price fluctuations

Under the influence of various factors, such as continuous downturn of economy, structural adjustment, economic transformation and environmental protection management, it is expected that there will be a further decrease in the demand for steel which will in turn affect the demand for the Group's iron ore products. Moreover, it will be difficult for the oversupply of steel production capacity to be resolved in the short run and the problem of imbalance of supply and demand is still severe and as such the downturn pressure of iron ore price still remains high.

REPORT OF THE DIRECTORS

The Group will leverage on its low-cost advantage and increase production and sale in good market conditions to hedge the risk of declining price. The Group will also reduce cost by technology upgrade and refined management and cutting administrative expenses through reducing staff. The above measures combined will help the Group to minimize the impact on the profitability brought by declining price.

Risks arising from accounts receivable

The Group granted some customers certain credit period in accordance with the credit status of the customers as well as business practices, which resulted in the Group having accumulated some trade receivables. However, due to the sluggish and continuous downturn of iron ore's down-stream products, if certain customers experienced cash flow problem, their debt repayment ability will be affected, which will in turn lead to the extension of credit period, making the Group more difficult to recover the trade receivables from the customers. The Group has established internal control system and accounts receivable management system, which require regular update of customers' credit status and enhance the effort to collect trade receivables in an effort to reduce the risk of bad debt.

Risks arising from operation

The underperformance of the Group's internal business process and management will cause losses and rising of costs, and further affect the profitability of the Group. The Group will focus on improving the management of each business process including mining, dry processing, wet processing and distribution strengthening staff training and the performance of business process to optimize the cost level and maximize profits.

Risks arising from safety production

Although the Group is committed to maintaining a high level of safety in the production process, iron ore mining, one of the main business activities of the Group, is relatively hazardous by its nature and affected by a number of external factors which are beyond the control of the Group, including the production environment and natural disaster, etc. Safety production is significant to the sustainable and stable development of the Group. The Group has established safety production system and set up specific department to supervise the performance, and ensure the safe production of the Group's operating mines through safety education and improvement of infrastructures.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes that proper adoption of environmental policies is essential to the sustainability of corporate growth, and has established specific department to supervise the compliance of the Group with environmental laws and regulations. During the daily operations, the Group has paid close attention to the latest development of environmental protection laws and regulations to ensure that the Group's environmental policies are in line with the legal standard in order to contribute to an environment-friendly society.

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, including but not limited to those which have significant impact on the Group, such as the Listing Rules and the International Financial Reporting Standards. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the significance of good relationship with employees, customers and suppliers to the long-term development of the Group's business.

As to the employees' relationship, the Group has taken various measures to improve employees' benefit, provided training opportunities for each job position and adopted a performance management system that enhances employees' career development.

As to the relationship with customers and suppliers, the Group has always adhered to business principles with integrity and bona fide. As at the date of this report, the Group did not have any disputes with major customers and suppliers, and contracts with them were all entered into and performed on mutually beneficial basis.

RESULTS

The Group's profit for the year ended 31 December 2015 and the positions of the Company and the Group as at that date are set out on pages 62 to 64 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2015 are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

The shares (the "Shares") of the Company was listed on the Stock Exchange on 28 November 2013. The Company has a share capital of HK$1,000,000 divided into 10,000,000,000 Shares of HK$0.0001 each, of which 1,507,843,000 Shares had been issued.

PRE-EMPTIVE RIGHTS

Pursuant to the articles of association of the Company (the Company was incorporated in the British Virgin Islands and continued in the Cayman Islands) and the laws of the Cayman Islands, there is no provision in relation to pre-emptive rights applicable to the Company.

SHARE OPTION SCHEME

As at the date of this report, the Company did not adopt any share option scheme.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2015 are set out in the Consolidated Statement of Changes in Equity on page 65 of this annual report and the details of reserves attributable to equity holders of the Company are set out in note 27 to the consolidated financial statements.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2015.

REPORT OF THE DIRECTORS

ANNUAL GENERAL MEETING

The 2016 annual general meeting of the Company (the "2016 AGM") will be held at 10:30 a.m. on 26 May 2016 at the meeting room of 17F, Tower C, CITC, A6 Jianguomenwai Avenue, Chaoyang District, Beijing.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 May 2016 to 26 May 2016 (both days inclusive). In order to qualify for attending and voting at the 2016 AGM, transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on 23 May 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, the total purchase from the Group's five largest suppliers accounted for approximately 47.6% of the Group's total purchase during the year, of which the total purchase from the largest supplier accounted for approximately 15.5% of the Group's total purchase during the year.

For the year ended 31 December 2015, the total sales to the Group's five largest customers accounted for approximately 93.0% of the Group's total sales during the year, of which the sales to the largest customer accounted for approximately 44.1% of the Group's total sales during the year.

So far as the Directors are aware, none of the Directors, their close associates (as defined in the Listing Rules) or Shareholders (who, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the five largest suppliers or customers (as defined in the Listing Rules) during the year ended 31 December 2015.

BANK BORROWINGS AND OTHER BORROWINGS

As at 31 December 2015, details of the bank borrowings and other borrowings of the Group are set out in note 22 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information in respect of the Directors and senior management during the year ended 31 December 2015 and as at the date of this annual report.

Name	Position in the Company	Date of Appointment/Re-election
Li Yanjun	Chairman and Executive Director	20 July 2013
Leung Hongying Li Ziwei (also known as Li Ziwei)	Vice Chairman and Executive Director	10 June 2014
Xia Guoan (resigned on 30 March 2016)	Executive Director and Chief Executive Officer, director and the general manager of Aowei Mining	28 May 2015 (being Chief Executive Officer and Executive Director of the Company) March 2013 (being director and the general manager of Aowei Mining)
Huang Kai	Executive Director and standing deputy general manager of Aowei Mining Chief Executive Officer of the Company (appointed on 30 March 2016)	20 July 2013 (being Executive Director) March 2012 (standing deputy general manager of Aowei Mining)
Li Jinsheng	Executive Director General manager of Aowei Mining	30 March 2016
Sun Jianhua	Executive Director and Chief Financial Officer and the head of the finance department of Aowei Mining	10 June 2014 (being Executive Director, and the Chief Financial Officer of the Group) April 2012 (being the head of the finance department of Aowei Mining)
Tu Quanping	Executive Director, chief engineer of Aowei Mining and director of Xinxin Mining	28 May 2015 (being Executive Director) June 2011 (chief engineer of Aowei Mining and executive director of Xinxin Mining)
Ge Xinjian	Independent Non-executive Director	20 July 2013
Meng Likun	Independent Non-executive Director	10 June 2014
Kong Chi Mo	Independent Non-executive Director	28 May 2015
Gao Changquan	Deputy general manager of Aowei Mining	March 2016
Li Dongfeng	Director and general manager of Jiheng Mining and director of Aowei Mining	10 August 2010 (being director and general manager of Jiheng Mining) 8 June 2011 (being director of Aowei Mining)
Jin Jiangsheng	General manager of Jingyuancheng Mining and Xinxin Mining	February 2012 (being General manager of Jingyuancheng Mining) March 2016 (being General manager of Xinxin Mining)
Che Shengheng	Director and the vice chief engineer of Aowei Mining and director of Jingyuancheng Mining	8 June 2011 (being director and the vice chief engineer of Aowei Mining) June 2011 (being director of Jingyuancheng Mining)

REPORT OF THE DIRECTORS

In compliance with rules 3.10(1) and 3.10(2) of the Listing Rules, which states the Company should appoint a sufficient number of independent non-executive Directors and that at least one of them must have appropriate professional qualifications or accounting or related financial management expertise, the Company appointed three independent non-executive Directors.

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

CHANGE OF INFORMATION OF DIRECTORS

As at the date of this annual report, save as disclosed in the section headed "Directors" above, there was no information relating to our Directors which is discloseable according to Rule 13.51B of the Listing Rules.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Detailed biographies of the Directors and senior management are set out on pages 53 to 59 of this annual report.

SERVICE CONTRACTS OF THE DIRECTORS

The Company has entered into a service contract with each of the Directors (save for Mr. Li Jinsheng), the term of which is 3 years commencing from 28 November 2013.

Mr. Li Jinsheng, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 30 March 2016.

None of the Directors has signed with the Company any service contract that cannot be terminated by the Company without compensation (exclusive of statutory compensation) within one year.

REMUNERATION FOR THE DIRECTORS AND TOP 5 HIGHEST PAID INDIVIDUALS

Detailed information on remuneration for the Directors and top 5 highest paid individuals of the Company is set out in notes 7 and 8 to the consolidated financial statements.

None of the Directors has agreed to waive any remuneration for the year ended 31 December 2015.

The remuneration for the Directors was proposed by the Remuneration Committee, which would take into account remuneration of companies in the same categories, conditions of employment, responsibilities and individual performance when proposing the remuneration.

DIRECTORS' INTERESTS IN CONTRACTS

For the year ended 31 December 2015, the Company (and its subsidiaries) had not concluded any contracts of significance, in which any Director directly or indirectly has material interests, and which subsisted during the year or at the end of the year.

SIGNIFICANT SUBSEQUENT EVENTS

There were no significant subsequent events affecting the Group which occurred since 1 January 2016 and up to the date of this annual report.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

As at 31 December 2015, having made specific enquiry of all Directors, all of them have confirmed that neither themselves nor their respective close associates (as defined in the Listing Rules) held any competitive interests in any business which competes or is likely to compete either directly or indirectly with the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2015, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(1) Interests in the Shares:

Name of Directors and Senior Management	Capacity/Nature of Interest	Number of Shares (Long Position)	Approximate Percentage of Issued Shares
Mr. Leung Hongying Li Ziwei (also known as Li Ziwei)	Founder of a discretionary trust[2]	1,125,000,000[L]	74.61%
Mr. Li Yanjun	Interests held jointly with another person[2]	1,125,000,000[L]	74.61%

Notes:

1. The letter "L" denotes long position in the Shares.

2. Mr. Leung Hongying Li Ziwei is the settler, protector and a beneficiary of the Chak Trust with Credit Suisse Trust Limited as the trustee which holds the entire issued share capital of Hengshi Holdings Limited (holding 100% issued share capital of Hengshi International Investments Limited) through Chak Limited and is the settler, protector and a beneficiary of the Seven Trust with Credit Suisse Trust Limited as the trustee which holds the entire issued share capital of Aowei International Developments Limited through Seven Limited. Pursuant to the Confirmation Letters, Mr. Leung Hongying Li Ziwei and Mr. Li Yanjun acted and will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Chak Trust and the Seven Trust and exercise all voting rights attached to the shares of Hengshi International Investments Limited and Aowei International Developments Limited, respectively. Therefore, Mr. Leung Hongying Li Ziwei and Mr. Li Yanjun are deemed to be interested in the 1,091,250,000 Shares held by Hengshi International Investments Limited (which is 100% owned by Hengshi Holdings Limited) as disclosed above and the 33,750,000 Shares held by Aowei International Developments Limited.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015 and so far as is known to the Directors, the interests or short positions of the substantial shareholders, other than the Directors or the chief executives of the Company whose interests and short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, who had 5% or more interests or short positions in the Shares and underlying Shares as recorded in the register required to be maintained by the Company under Section 336 of the SFO, were as follows:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares Long Position	Approximate Percentage in issued shares
Aowei International Developments Limited	Beneficial owner(2)	1,125,000,000(L)	74.61%
Chak Limited	Interest in controlled corporation(2)	1,125,000,000(L)	74.61%
Credit Suisse Trust Limited	Trustee	1,125,000,000(L)	74.61%
Hengshi Holdings Limited	Interest in controlled corporation(2)	1,125,000,000(L)	74.61%
Hengshi International Investments Limited	Beneficial owner(2)	1,125,000,000(L)	74.61%
Seven Limited	Interest in controlled corporation(2)	1,125,000,000(L)	74.61%
Asia Equity Value Ltd	Interest in controlled corporation(3) Person having a security interest	91,235,000(L) 200,717,000(L)	6.05% 13.31%

Note:

(1) The letter "L" denotes long position in the Shares.

(2) Hengshi Holdings Limited holds 100% issued share capital of Hengshi International Investments Limited, thus Hengshi Holdings Limited is deemed to be interested in the 1,091,250,000 Shares held by Hengshi International Investments Limited. Chak Limited holds 100% issued share capital of Hengshi Holdings Limited, thus Chak Limited is deemed to be interested in the 1,091,250,000 Shares held by Hengshi International Investments Limited. Seven Limited holds 100% issued share capital of Aowei International Developments Limited, thus Seven Limited is deemed to be interested in the 33,750,000 Shares held by Aowei International Developments Limited.

Mr. Leung Hongying Li Ziwei and Mr. Li Yanjun are the ultimate controlling shareholders of Chak Limited, Hengshi Holdings Limited, Hengshi International Investments Limited, Seven Limited and Aowei International Developments Limited. Therefore, Chak Limited, Hengshi Holdings Limited, Hengshi International Investments Limited, Seven Limited and Aowei International Developments Limited are deemed to be interested in all the 1,125,000,000 shares. Pursuant to the Confirmation Letters, Mr. Leung Hongying Li Ziwei and Mr. Li Yanjun acted and will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Chak Trust and the Seven Trust and exercise all voting rights attached to the shares of Hengshi International Investments Limited and Aowei International Developments Limited, respectively.

(3) Asia Equity Value Ltd holds 100% of Heelflik Trading Inc., which in turn owns 91,235,000 Shares.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the Shares or underlying Shares representing 5% or more of the issued share capital of the Company as at 31 December 2015.

MANAGEMENT CONTRACTS

For the year ended 31 December 2015, there was no contract entered into by the Company or subsisting which related to the management and administration of all or a substantial part of the business of the Company.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The related party transactions which also constitute connected transactions as defined in Chapter 14A of the Listing Rules were disclosed in note 30 to the consolidated financial statements.

Non-exempt Continuing Connected Transactions

On 6 January 2014, Hebei Aowei Industrial Group Co., Ltd. (the "Aowei Group") entered into the property leasing framework agreement (the "Property Leasing Framework Agreement") with the Company, pursuant to which the Company rented properties from Aowei Group as office premises.

Annual caps for the transactions contemplated under the Property Leasing Framework Agreement for the year ended/ending 31 December 2014, 2015, 2016 are set out as follows.

	For the year ended/ending 31 December		
	2014	**2015**	**2016**
		(RMB Millions)	
Estimated amount of rent to be paid by the Company to Aowei Group	2.0	2.0	2.0

As Mr. Li Yanjun is one of the Directors and controlling shareholders of the Company, pursuant to Rule 14A.07 of the Listing Rules, Mr. Li Yanjun is a connected person of the Company. Given that the equity interests of Aowei Group are owned by Mr. Li Yanjun and his wife Ms. Yang Hongying as to 89.2% and 10.8% respectively, Aowei Group, pursuant to Rule 1.01 of the Listing Rules, is an associate of Mr. Li Yanjun. Therefore, Aowei Group is also a connected person of the Company under the Listing Rules and the transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. For details of the above transaction, please refer to the Company's announcement dated 6 January 2014.

All independent non-executive Directors had reviewed the above continuing connected transaction and confirmed that those transactions had been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) either on normal commercial terms or, if there were no sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing the relevant transactions on terms that were fair and reasonable and in the interests of the Shareholders as a whole.

REPORT OF THE DIRECTORS

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, and reported that:

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and

(4) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcement made by the Company in respect of the disclosed continuing connected transactions.

A copy of the auditor's letter has been submitted by the Company to the Stock Exchange.

COMPLIANCE OF DEED OF NON-COMPETITION

The Company entered into a deed of non-competition ("Deed of Non-Competition") with Mr. Leung Hongying Li Ziwei, Mr. Li Yanjun, Hengshi International Investments Limited and Hengshi Holdings Limited (collectively, the "Controlling Shareholders") on 12 November 2013. Pursuant to the Deed of Non-Competition, each Controlling Shareholder has undertaken to the Company (for itself and in favour of its subsidiaries) that they will not, profitably or non-profitably, and will procure their associates (except any members of the Group) not to, directly or indirectly, either on his own or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate in or hold interests in or engage in or acquire or hold construction, development, operation or management of any business or activity which competes or may compete with the business of the Group, being the exploration, mining, processing and trading of iron ore products and the major products include iron ores, preliminary concentrates and iron ore concentrates (the "Restricted Business"). The Controlling Shareholders have also granted us an option for new business opportunities, a pre-emptive right and an option for acquisition to acquire any potential interest in their business which competes or is likely to compete, either directly or indirectly, with the Restricted Business.

In accordance with the Deed of Non-Competition, the independent non-executive Directors are responsible for reviewing and considering whether exercising the option for new business opportunities, pre-emptive right and the option for acquisitions as well as conducting annual review of implementation of the Deed of Non-Competition on behalf of the Company. Each Controlling Shareholder has made annual confirmation of compliance with the Deed of Non-Competition, and the independent non-executive Directors have also reviewed the implementation of the Deed of Non-Competition, and confirmed that the Controlling Shareholders have fully abided by the Deed of Non-Competition without any breach of the Deed of Non-Competition.

RETIREMENT AND EMPLOYEES' BENEFIT PLAN

Detailed information on the retirement and employees' benefit plan of the Company is provided in note 5(b) to the consolidated financial statements.

COMPLIANCE OF THE CORPORATE GOVERNANCE CODE

As a listed company on the main board of the Stock Exchange, the Company is committed to maintaining high level of corporate governance. Throughout the year ended 31 December 2015, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Please refer to Corporate Governance Report in this annual report for details.

PUBLIC FLOAT

Based on the information that is publicly available to the Company, and to the knowledge of the Directors, the public continued to hold not less than 25% of shares issued by the Company as at date of this annual report, which is in compliance with the requirement of the Listing Rules.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2015, the Group has not been involved in any significant legal proceedings or arbitration. To the knowledge of the Directors, there are no significant legal proceedings or claims pending or threatened against the Group.

AUDIT COMMITTEE

The Audit Committee under the Board has reviewed the Group's annual results for 2015 and the consolidated financial statements for the year ended 31 December 2015.

AUDITOR

KPMG was engaged as auditor of the Company for the year ended 31 December 2015. KPMG has audited the accompanying consolidated financial statements which were prepared in accordance with International Financial Reporting Standards.

The Company has retained KPMG as its auditor since the date of listing.

KPMG will retire and, being eligible, offer themselves for re-appointment at the 2016 AGM. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the 2016 AGM.

FINANCIAL HIGHLIGHTS

The operating results, assets and liabilities highlights of the Group for the last five fiscal years are stated on pages 5 and 6 of this annual report.

REPORT OF THE DIRECTORS

SIGNIFICANT CONTRACTS

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" of this annual report, none of the Company or any of its subsidiaries entered into material contracts with the controlling shareholder or any of its subsidiaries other than the Group, nor was there any material contract between the Group and the controlling shareholder or any of its subsidiaries other than the Group in relation to provision of services.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2015. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANIES BY THE COMPANY

For the year ended 31 December 2015, the Company has not granted any financial assistance and guarantee to its affiliated companies.

LOAN TO AN ENTITY

For the year ended 31 December 2015, the Group has not granted any loans to an entity.

By order of the Board

Mr. Li Yanjun
Chairman of the Board

Beijing, 30 March 2016

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions in the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximize the interests of the Shareholders. The principles, code provisions and certain recommended best practices set out on the Corporate Governance Code, are in the best interest of the Company and the Shareholders. The Company believes that good corporate governance provides a framework that is essential for ensuring effective management, successful business development and growth in Shareholders' value.

The Directors considered, during the Reporting Period, the Company has fully complied with each of the principles and code provisions of the Corporate Governance Code and majority of the recommended best practices set forth thereunder.

Detailed discussions of the code provisions of the Corporate Governance Code adopted and complied with by the Company during the Reporting Period are set out below.

SECURITIES TRANSACTION BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' and relevant employees' dealings in the Company's securities. Specific enquiry has been made to all Directors and all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

BOARD COMPOSITION AND PRACTICES

The Board

The Board is collectively responsible for leading and overseeing the Group's business with the objective of enhancing Shareholders' value.

During the Reporting Period and up to the date of this annual report, the composition of the Board was as follows:

Executive Directors

Mr. Li Yanjun *(Chairman)*
Mr. Leung Hongying Li Ziwei *(Vice Chairman)*
Mr. Xia Guoan *(Chief Executive Officer) (resigned on 30 March 2016)*
Mr. Li Jinsheng *(appointed on 30 March 2016)*
Mr. Huang Kai *(appointed as Chief Executive Officer on 30 March 2016)*
Mr. Sun Jianhua *(Chief Financial Officer)*
Mr. Tu Quanping

Independent non-executive Directors

Mr. Ge Xinjian
Mr. Meng Likun
Mr. Kong Chi Mo

Up to the date of this report, the Company had three independent non-executive Directors in total, representing one-third of the total number of Directors. The detailed information of the Directors is set out in the section headed "Biographies of Directors and Senior Management" of this annual report. Mr. Leung Hongying Li Ziwei is the son of Mr. Li Yanjun. Save as disclosed above, none of the members of the Board has any financial, business or family relationships or any relationships in other material aspects with other members.

CORPORATE GOVERNANCE REPORT

Each of Mr. Ge Xinjian, Mr. Meng Likun and Mr. Kong Chi Mo (all being independent non-executive Directors) has entered into a service contract with the Company for a term of three years, commencing on 28 November 2013, and may be terminated at any time by any party at no less than three months' prior written notice.

In accordance with the Company's articles of association, at each annual general meeting of the Company, at least one-third of the Directors for the time being will retire from office by rotation but will be eligible for re-election.

During the Reporting Period, the Company has appointed sufficient number of independent non-executive Directors who are equipped with relevant qualification in accordance with the requirements of the Listing Rules. As of the date of this report, the Company has three independent non-executive Directors in total, which include: a certified public accountant with accounting and financial management expertise, an expert with managerial experience in financial industry and an expert focusing on processing research, design and technological management.

The appointment of independent non-executive Directors strictly adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received the annual confirmation of their independence from each of the independent non-executive Directors and considers them to be independent of the management of the Company and free of any relationship that could materially interfere with the exercise of their independent judgment. The Board considers that each of the independent non-executive Directors is able to bring his own relevant expertise to the Board.

Board Meetings

The Company has adopted the provisions of the Corporate Governance Code and issues meeting notices 14 days before convening a regular Board meeting (for interim Board meetings, a reasonable notice had be given) so that all Directors can have sufficient time to plan for their attendance. All meeting documents will be sent to all Directors no less than three days before a meeting is convened. Matters discussed and resolved at Board meetings will be recorded in detail; minutes will be made; and resolutions will also be filed. The Board had held four meetings for the year ended 31 December 2015.

During the Reporting Period, the details of Directors' attendance of the Board meetings, special committee meetings under the Board were as follows:

		Specialized Committees under the Board		
Name of Directors	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Li Yanjun	4/4	N/A	N/A	1/1
Leung Yonghong Liziwei	4/4	N/A	1/1	N/A
Xia Guoan (resigned on 30 March 2016)	4/4	N/A	N/A	N/A
Huang Kai	4/4	N/A	N/A	N/A
Sun Jianhua	4/4	N/A	N/A	N/A
Tu Quanping	4/4	N/A	N/A	N/A

Name of Directors	Board of Directors	Specialized Committees under the Board Audit Committee	Remuneration Committee	Nomination Committee
Independent Non-executive Directors				
Kong Chi Mo	4/4	2/2	N/A	1/1
Ge Xinjian	4/4	2/2	1/1	N/A
Meng Likun	4/4	2/2	1/1	1/1

In the event that if any Director has any significant conflicts of interests in the matters to be considered in the Board meetings, the Directors had abstained from voting in relation to the relevant resolutions. All independent non-executive Directors who have no significant interest in the transactions have attended the relevant Board meetings. All Board decisions were passed by way of resolutions. Minutes of the Board meetings and specialized committee meetings were prepared and maintained by the company secretaries.

Duties performed by the Board and management

The Board is responsible for the overall development of the Group, approving and monitoring the overall development strategy of the Group, assessing, monitoring and controlling the operation and financial performance, ensuring that the Directors perform their proper duties and act in the best interests of the Group and hold discussions on various important and proper businesses of the Company in a timely manner. All Directors are entitled to raise and include any matters that should be submitted to the Board for discussion in the agenda of the Board meeting. The management shall provide members of the Board and specialized committees under the Board with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Group and to better facilitate the discharge of their duties. The management team is accountable to the Board, executing the strategies and plans formulated by the Board, and making decisions in relation to the day-to-day operation of the Group. The management reports monthly to the Board on the operation and financial performance of the Group.

Chairman of the Board and Chief Executive Officer

The positions of the chairman of the Board and the chief executive officer of the Company are held by different individuals in order to ensure the independence and accountability of their respective duties and a balanced distribution of power and authority between them. Mr. Li Yanjun is the chairman of the Board and is responsible for the management and effective operation of the Board, ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. Mr. Xia Guoan was the chief executive officer of the Company who was responsible for the daily operational activities of the Group and accountable to the Board for the overall operations of the Group. On 30 March 2016, Mr. Xia Guoan had resigned as, among others, the chief executive officer of the Company and Mr. Huang Kai, an executive Director, was appointed as the new chief executive officer of the Company. During the Reporting Period, the chairman of the Board held one meeting with the non-executive Directors (including independent non-executive Directors) in the absence of the executive Directors.

Appointment and re-election of Directors

Code provision A.4.1 of the Corporate Governance Code stipulates that non-executive Directors shall be appointed for a specific term and, subject to re-election, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each Director is appointed for a specific term of three years, and will retire from office by rotation every three years.

CORPORATE GOVERNANCE REPORT

Directors' training

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

All Directors have been provided with training on their duties and responsibilities as a director of a listed company and the compliance issues under the Listing Rules. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure their compliance and enhance their awareness of good corporate governance practices.

Directors had provided the Company with their respective training records pursuant to the Corporate Governance Code. During the Reporting Period, all Directors have participated in appropriate continuous professional development by ways of attending training or reading materials relevant to the Company's business or to Directors' duties and responsibilities.

The records of the training attended by the Directors are set out as follows:

Name	Position	Types of Training
Li Yanjun	Chairman and Executive Director	B
Leung Hongying Li Ziwei	Vice Chairman and Executive Director	B
Xia Guoan	Executive Director and Chief Executive Officer (resigned on 30 March 2016)	B
Huang Kai	Executive Director and appointed as Chief Executive Officer on 30 March 2016	B
Sun Jianhua	Executive Director and Chief Financial Officer	A, B
Tu Quanping	Executive Director	B
Ge Xinjian	Independent non-executive Director	B
Meng Likun	Independent non-executive Director	B
Kong Chi Mo	Independent non-executive Director	A, B

A: attending seminars and/or conferences and/or forums relating to directors' duties or other relevant topics

B: reading newspaper, journals and updates relating to the economy, general business or directors' duties etc

Directors' liability insurance

The Company has arranged liability insurance for our Directors and such liability insurance has been effected since 1 May 2014, and arranged renewal of the insurance to ensure effectiveness of the insurance contract during the Reporting Period.

Policy on diversification of the Board

The Company believes that the diversification of the Board is beneficial for enhancing the performance of the Company. The Company established the Policy on Diversification of Members of the Board (the "Policy") in November 2013, to ensure that in setting the composition of the Board, the Company will consider the diversification of members of the Board from various aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All appointments to the Board shall follow the principle of meritocracy, taking into account objectively the benefits of diversification of members of the Board when considering the candidates. The candidates of the Board are selected based on diversification, including but not limited to age, cultural and educational background, professional experience, skills and knowledge.

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the Policy. The Nomination Committee will review the Policy when appropriate to ensure the effectiveness of the Policy. The Nomination Committee will discuss any amendments that may be required to be made and make recommendations for amendments to the Board for approval.

Directors' remuneration policy

Under the remuneration policy of our Company, the Remuneration Committee will make recommendations to the Board on the amount of remuneration payable to our Directors and the senior management, by reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities, tenure, commitment, responsibilities and performance of our Directors and the senior management.

Specialized committees under the Board

The Company established the Audit Committee, Remuneration Committee and Nomination Committee to provide the Board with specialized decision-making support. On 3 December 2015, a board meeting was held to revise the terms of reference of each of the committees, which reviewed comprehensively the duties and functions in accordance with the Listing Rules as well as its amendment, and unified the format and style of the terms of reference. Specifically, the Company revised systematically the terms of reference of the Audit Committee as required by Appendix 14 of the Listing Rules, which emphasized the new rules regarding risk management, among other things, in the corporate governance report. The new terms of reference of Audit Committee have adopted duties of risk management to the Audit Committee, and certain rules that define duties of risk management are added where applicable.

Audit Committee

For the year ended 31 December 2015 and as at the date of this annual report, the members of the Audit Committee of the Company were as follows:

Independent non-executive directors:

Ge Xinjian *(Chairman)*
Meng Likun
Kong Chi Mo

The duties of the Audit Committee are as follows:

Relationship with the Company's auditors

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the Company's external auditor, and to approve the remuneration and terms of engagement of the Company's external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences. Should there be more than one auditor firm participating, the Committee shall ensure the coordination between them;

(c) to develop and implement policy on engaging the Company's external auditor to supply non-audit services. For this purpose, external auditor includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

CORPORATE GOVERNANCE REPORT

Review of the Company's financial information

(d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the committee should focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(e) Regarding (d) above:

(i) Members should liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the Company's auditors; and

(ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) to discuss with the Company's external auditors questions and doubts arising in audit of interim and annual accounts, and other matters that the auditors wish to discuss (may conduct in the absence of the Company's management if necessary);

(g) to review the letter to the Company's management from the Company's external auditors and the management's response;

(h) if the Company's annual report includes statement about the Company's internal control system, to review such statement prior to submission for the Board's approval;

Oversight of the Company's financial reporting system, risk management and internal control systems

(i) to review the Company's financial reporting and controls, risk management and internal control systems;

(j) to discuss the risk management and internal control systems with the Company's management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(k) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(l) where an internal audit function exists in the Company, to ensure co-ordination between the Company's internal and external auditors, and to ensure that the Company's internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(m) to review the financial and accounting policies and practices of the Group;

(n) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(o) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(p) to report to the Board on the matters in this terms of reference;

(q) to consider other topics, as defined by the Board;

Others

(r) to review arrangements: employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow up action;

(s) to act as the key representative body for overseeing the Company's relations with the Company's external auditor; and

(t) to conform to any requirement, direction, and regulation that may from time to time be contained in the memorandum and articles of association of the Company or imposed by the Listing Rules or applicable law.

The Audit Committee held two meetings in 2015 and reviewed the Group's annual results of 2014 and the interim results of 2015 respectively. The Audit committee also reviewed the internal control system of the Company, and discussed the risk behind the fluctuation of the global exchange rate and iron price. During the Reporting Period, the Audit Committee held a meeting with the external auditors without the presence of the executive Directors and senior management of the Company. The Audit Committee has also reviewed the Group's annual results for the Reporting Period and this annual report, and confirmed that this annual report complies with the requirements of the Listing Rules.

The Audit Committee will perform the duties and functions emphasized by the revised terms of reference from the financial year beginning in 2016, including the risk management and internal control systems and strengthen the supervision of risks in relation to corporate strategy, operation and finance.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

For the year ended 31 December 2015 and as at the date of this annual report, the members of the Remuneration Committee of the Company were as follows:

Executive Director	Independent non-executive Directors
Leung Hongying Li Ziwei	Meng Likun *(Chairman)* Ge Xinjian

The primary duties and authorities of the Remuneration Committee are as follows:

(a) make recommendations to the Board on the company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including non-monetary benefits, pension and compensation (including compensation for the loss of office or appointment), and consult the chairman of the Board and/or the Company's chief executive (whoever is appropriate) in respect of recommendations on the remuneration of the Company's chief executive and/or senior management;

(d) assess the performance of executive Directors, senior management and general staff in accordance with their respective performance standards with reference to market standards, consider annual performance bonuses for the relevant officers and staff and make recommendations to the Board;

(e) to make recommendations to the Board on the remuneration of non-executive Directors;

(f) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;

(g) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(h) determine staff performance evaluation standards which should reflect the business objectives and targets of the Company;

(i) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(j) to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

(k) conform to any requirement, direction, and regulation that may from time to time be contained in the memorandum and articles of association of the Company or imposed by the Listing Rules or applicable law.

The Remuneration Committee promulgated procedure rules, clarified the terms of reference, reviewed remuneration policies of Directors, assessed the performance of executive Directors and reviewed the terms of service contracts of executive Directors. For the year ended 31 December 2015, the Remuneration Committee held one meeting to review the remuneration components, incentives and allowances payable to the Directors and senior management. All members of the Remuneration Committee had attended the meeting. The Remuneration Committee made recommendations to the Board on the remuneration packages of individual executive Director and senior management. In 2015, the Remuneration Committee had further perfected the remuneration of the Directors and senior management and the review system of the Company and as well as following up with the remuneration policies of the Company and the review results of staff at all levels.

Nomination Committee

For the year ended 31 December 2015 and as at the date of this annual report, the members of the Nomination Committee of the Company were as follows:

Executive Director	Independent non-executive Directors
Li, Yanjun *(Chairman)*	Meng Likun Kong Chi Mo

The primary duties and authorities of the Nomination Committee are as follows:

(a) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. The Board and shareholders shall be provided with detailed curriculum vitae of nominated candidates so that they can make well-informed decisions;

(c) identify and nominate candidates to fill temporary vacancies of Directors for the approval of the Board;

(d) assess the independence of independent non-executive Directors, review the annual confirmation submitted by independent non-executive Directors in respect of their independence and make disclosure of the findings in the "Corporate Governance Report";

(e) review the time required by directors in performing their responsibilities on a regular basis;

(f) 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;

(g) under suitable circumstances, review the Board Diversity Policy, measurable objectives and the progress made when the members of the Board implement the Board Diversity Policy, as well the annual disclosure of the findings in the "Corporate Governance Report"; and

(h) conform to any requirement, direction, and regulation that may from time to time be contained in the memorandum and articles of association of the Company or imposed by the Listing Rules or applicable law.

For the year ended 31 December 2015, the Nomination Committee held one meeting. All members of the Nomination Committee had attended the meeting. The meeting discussed the policies on the diversity of the Board and the independence of the independent non-executive directors. The meeting also proposed the retirement and re-election of some directors, according to which Mr. Xia Guoan, Mr. Tu Quanping and Mr. Kong Chi Mo were to retire on the annual general meeting held in 2015 and their re-election were approved by the shareholders at the general meeting.

Corporate Governance Functions

The Board is the highest authority of the Group on corporate governance, whose main responsibilities include:

(a) developing and reviewing the Company's policies and practices on corporate governance;

(b) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(c) reviewing and monitoring the Group's policies and practices in compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and the Directors; and

(e) reviewing the Group's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Board had discussed and reviewed the aforesaid works during Board meetings held during the Reporting Period.

Remuneration of Auditor

For the year ended 31 December 2015, the Group's external auditors KPMG provided annual audit services to the Company. For the year ended 31 December 2015, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

	RMB
Annual audit services (excluding taxation and miscellaneous fees)	3,180,000
Non-audit services	–

The Audit Committee is responsible for making recommendation to the Board as to the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

Remuneration of Directors and Senior Management

The Company has adopted a formal and transparent procedure for fixing the remuneration packages of individual Directors and senior management. Details of the remuneration for the Directors and five individuals with the highest remuneration are set out in Note 7 and Note 8 to the consolidated financial statements of this annual report. For the year ended 31 December 2015, the remuneration for the senior management of the Company by bands is set out below:

Scope of remuneration (RMB)	Number of members of senior management
0–500,000	7
500,001–1,000,000	6
1,000,001–2,500,000	1

Note: Numbers disclosed above includes the senior management of the Company and those who are executive Directors

Directors and Auditor's Responsibility for Preparation of the Financial Statements

The Directors acknowledged their responsibilities for preparing the financial statements for the year ended 31 December 2015, which gave a true and fair view of the state of affairs, the results and cash flows of the Group for that year. The Company allocated sufficient resources to prepare the audited accounts. Senior management was required to present and explain the financial reporting and matters that materially affected or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board and to respond to the queries and concerns raised by the Audit Committee and the Board to their trust. The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the financial statements included appropriate disclosure made in accordance with the Listing Rules and the Companies Ordinance. The responsibility of the external auditor of the Company for preparing the financial statements of the Group was set out in the independent auditor's report of this annual report.

Internal Control

The Board has overall responsibility for the system of internal controls of the Group, including setting management structure and making appropriate authorization, identifying proper accounting policy and providing reliable financial information for internal and external use. The measures above were designed to provide reasonable (but not absolute) assurance against material misstatement or loss, and to manage (but not fully eliminate) the mistakes of the Group's operational systems and the risks of failure to achieve the Group's business objectives. The Board had conducted an annual review of the internal control system of the Group and is of the view that the Group has established a proper internal control system which is effective and adequate.

The Group has established an internal control system and formulated regulations on the segregation of duties of the Board and senior management, according to which the senior management is accountable to the Board and executes the resolutions passed by the Board, as well as being entitled to manage and oversee the Group's operations.

The Group has undertaken specific review of the internal control and risk management under the requirements of the Listing Rules regarding the newly amendments on corporate governance and internal control. The Group thereby revised, among other things, the terms of reference of the Audit Committee, and raised specifically the requirements of risk management. The new terms of reference will take effect in the financial year beginning in 2016, which will ensure the company's strategic, financial and operational risk is under control.

CORPORATE GOVERNANCE REPORT

The management of the Company provides members of the Board with the latest information of the Group monthly, which sets out the performance of the Group, the financial position and prospects and clear assessment.

An Internal Control Application Manual was prepared by the Company to regulate control programs, mainly including transaction authorization control, responsibility division control, documents and records control, access to asset and recording control, independent audit control and electronic information system control.

The Group has established the Information Disclosure Management System, the Administrative Rules Governing Related Party Transactions, and the Inside Information Disclosure System which stipulate the relevant procedures for processing the inside information. The Board regularly evaluates the effectiveness of internal control.

The Group has established a specialized internal audit department, formulated relevant mechanism, and set up proper internal supervising procedures to ensure the effectiveness of internal supervision and extend its application to all of the Group's subsidiaries. The annual audit report and plan are approved by the Audit Committee.

The Company has established an independent accounting department to set out the duties and rights in relation to finance management, accounting and auditing, and assigned the relevant staff to ensure the smoothness of finance and accounting work and the separation of approval, implementation and recording functions, and formulated different systems for accounting and finance as a guarantee for fair execution.

The Board believes that the existing corporate internal control system has basically covered the operation of the Group and the internal control system which the Company adopted for the year ended 31 December 2015 has been reasonable and effective.

Joint Company Secretaries

Ms. Kwong Yin Ping, Yvonne, a member of The Hong Kong Institute of Chartered Secretaries, has been appointed as a joint company secretary of the Company. Her principal contact in the Company is Mr. Meng Ziheng, the other joint company secretary of the Company.

The joint company secretaries of the Company shall be responsible for ensuring good information flow among members of the Board and that the policies and procedures of the Board are followed. The joint company secretaries make recommendations on governance matters to the Board through the Chairman of the Board and the chief executive officer, and shall also arrange for induction training and professional development of the Directors.

Mr. Meng Ziheng who is familiar with the activities of the Company has past management experience within the Group and thorough understanding of the internal administration and business operations of the Group. Therefore, he was appointed as one of the joint company secretaries of the Company. Ms. Kwong Yin Ping, Yvonne, one of the joint company secretaries of the Company, is responsible for assisting Mr. Meng Ziheng in discharging the duties of a company secretary of the Company. Ms. Kwong Yin Ping, Yvonne is currently a vice president of SW Corporate Services Group Limited, a professional services provider specializing in corporate services. Ms. Kwong Yin Ping, Yvonne is qualified to act as our company secretary as required by Rule 3.28 of the Listing Rules.

Training for joint company secretaries

Mr. Meng Ziheng and Ms. Kwong Yin Ping, Yvonne, the joint company secretaries of the Company had received not less than 15 hours of professional training during the Reporting Period as required by Rule 3.29 of the Listing Rules.

For biographical details of Mr. Meng Ziheng and Ms. Kwong Yin Ping, Yvonne, please refer to the section headed "Biographies of Directors and Senior Management — Joint Company Secretaries" in this annual report.

General Meetings

During the Reporting Period, one general meeting was held on 28 May 2015. The attendance record of each Director at the general meeting is set out below:

Name of Directors	Number of Attendance
Li Yanjun	1/1
Leung Hongyong Li ZiWei	1/1
Xia Guoan (resigned on 30 March 2016)	1/1
Huang Kai	1/1
Sun Jianhua	1/1
Tu Quanping	1/1
Kong Chi Mo	1/1
Ge Xinjian	1/1
Meng Likun	1/1

Communication Policy with Shareholders

The Company attached great importance to the communication with Shareholders and promoted understanding and communication with Shareholders through various channels of general meetings, results announcement conferences, road show activities, receiving guests and telephone counseling. In 2015, the company organized two road show activities, which introduced the annual results of 2014 and interim results of 2015, as well as the corporate strategy of 2015.

The rights of Shareholders

The Board is committed to maintaining an on-going dialogue with Shareholders and providing timely disclosure of information concerning the Company's material developments to Shareholders and investors. The annual general meetings of the Company provide a forum for communication between Shareholders and the Board. An annual general meeting shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditor and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the Shares they hold, are not entitled to receive such notice from the Company).

CORPORATE GOVERNANCE REPORT

Procedures for Shareholders to convene general meetings and putting forward proposals at general meetings by Shareholders

In accordance with Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

In accordance with Article 16.4 of the Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the company secretary of the Company notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

Shareholders may at any time lodge the aforesaid requisition or notice to the Board in writing through the Company Secretary at the Company's principal place of business in Hong Kong at 18/F, Tesbury Centre 28 Queen's Road East, Wanchai, Hong Kong.

Shareholders' enquiries

Any enquiries relating to your shareholding, for example, transfers of Shares, change of address, lost share certificates or dividend cheques, shall be sent or made to Computershare Hong Kong Investor Services Limited, the Company's share registrar in Hong Kong:

Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Tel: (852) 2862-8628
Fax: (852) 2865-0990, (852) 2529-6087
Website: www.computershare.com.hk

Investor Relations and Communication

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing communication with Shareholders and provide timely disclosure of information concerning the Company's material developments to Shareholders and investors in particular through annual general meetings and other general meetings. The Chairman of the Board, all other Directors of the Board (including independent non-executive Directors) and the chairmen of all Board committees (including their representatives) will attend the annual general meetings to meet Shareholders and answer their enquiries.

In order to enhance effective communication, the Company redesigned its website during the Reporting Period and more functions were added to make it reader friendly. All the Company's communication message, including the documents published on the website of the Stock Exchange (www.hkexnews.hk) will also be uploaded automatically to the Company's website.

The shareholders have access to the following materials through the Company's website (www.hengshimining.com):

- the Company's Articles of Association;

- terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee;

- a summary of the procedures for Shareholders to convene a general meeting, to put forward proposals at general meetings, and to propose a person for election as a Director; and

- a news archive of stock exchange announcements and media releases.

Shareholders are welcome to make enquiries directly to the Company at its principal place of business in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. The Company will respond to all enquiries on a timely and properly basis. The information on the Company's website will be updated on a timely basis, and the shareholders can subscribe to obtain regular update on the latest news of the Company.

In addition, during routine operation the Company strives to cater to visits from Shareholders and investors, and arrange visits for them. The management of the Company will also communicate with investors and analysts outside office.

Through the above means, the Company delivers transparent operation and effective communication with Shareholders and investors.

Significant Change to the Memorandum and Articles of Association

For the year ended 31 December 2015, the Company did not make any significant changes to the Memorandum and Articles of Association of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

COMPOSITION OF DIRECTORS

The Board consists of six executive Directors and three independent non-executive Directors, one third of which are independent non-executive Directors as of the date of this report. The following table sets forth certain information in respect of our Directors:

Name	Age	Position/Title in Our Group	Date of Appointment/ re-election	Roles and Responsibilities
Mr. Li Yanjun (李豔軍)	51	Chairman and executive Director	20 July 2013	Responsible for the overall business strategies
Mr. Leung Hongyong Li Ziwei (also known as Li Ziwei) (李子威)	28	Vice Chairman and executive Director	10 June 2014	Responsible for our Group's business development and foreign investments
Mr. Xia Guoan (夏國安) (resigned on 30 March 2016)	61	Executive Director and chief executive officer	28 May 2015	Responsible for our Group's overall business management and daily operation
Mr. Huang Kai (黃凱)	42	Executive Director and Chief Executive Officer (with effect from 30 March 2016)	20 July 2013	Responsible for our Group's overall business management and daily operation
Mr. Sun Jianhua (孫建華)	33	Executive Director and Chief Financial Officer	10 June 2014	Responsible for our Group's accounting and financial management
Mr. Tu Quanping (塗全平)	46	Executive Director	28 May 2015	Responsible for iron ore mining and processing, related design, mining plan and supervision work
Mr. Lin Jinsheng (李金生)	53	Executive Director	30 March 2016	Responsible for the business management and daily operations of Aowei Mining
Mr. Ge Xinjian (葛新建)	56	Independent Non-executive Director	20 July 2013	Responsible for overseeing the management independently
Mr. Meng Likun (孟立坤)	54	Independent Non-executive Director	10 June 2014	Responsible for overseeing the management independently
Mr. Kong Chi Mo (江智武)	40	Independent Non-executive Director	28 May 2015	Responsible for overseeing the management independently

BIOGRAPHIES OF EXECUTIVE DIRECTORS

Mr. Li Yanjun (李豔軍), aged 51, is our executive Director and the chairman of the Board, and is mainly responsible for the overall business strategies of our Group.

Mr. Li has over 15 years of experience in the iron ore mining and processing industry and the steel industry. Mr. Li established Aowei Group in December 1996 to engage in the trading of iron and steel products and had been the executive director of Aowei Group since its establishment until May 2013. He established Laiyuan County Aoyu Steel Co., Ltd. ("Aoyu Steel") in July 2001, which engaged in the production of iron and steel products, and served as the chairman of Aoyu Steel since its establishment until March 2012. Through establishing companies and undertaking mergers and acquisitions at Aowei Group, Mr. Li founded our Group when he began to operate Xinxin Mining in April 2004, and subsequently he started operations of Jingyuancheng Mining in November 2009 and Jiheng Mining in August 2010. He has gained extensive experience and knowledge of the iron and steel industry, management of iron and steel enterprises and the upstream iron ore mining and processing industry and has an understanding of the geological distribution of iron ore mines and iron and steel manufacturers. He has been responsible for the overall management and strategic development of our Group.

Mr. Li was elected a member of the 12th National People's Congress (第十二屆全國人大) in recognition of his contribution to economic development and local employment. He was awarded the Outstanding Private Entrepreneur in Hebei Province (河北省優秀民營企業家) in April 2005 and the Outstanding Constructor of Socialism with Chinese Characteristics (優秀中國特色社會主義事業建設者) in December 2005.

Mr. Li is the father of Mr. Leung Hongying Li Ziwei.

Mr. Leung Hongying Li Ziwei (李子威), aged 28, is our executive Director and the vice chairman of the Board and is responsible for our Group's business development and foreign investments. Mr. Li joined our Group in August 2008.

He has gained over five years of experience in the iron ore mining industry from his involvement in the areas of procurement, supply and sales of raw materials and steel products at Aowei Group, Aoyu Steel and our Group. He has been responsible for the overall management and strategic development of our Group.

Mr. Li has actively worked in the consolidation of small-scale iron ore mines by our operating subsidiaries since August 2008 and the reorganization of our Group in preparation for the Global Offering. Mr. Li served as the general manager assistant of Aoyu Steel from August 2008 to August 2009, and was responsible for procurement, supply and sales. He served as the assistant to the chairman of Aowei Group from September 2009 to May 2010. He served as the president of Aowei Group from June 2010 to May 2013. He is the director of Hengshi Holdings Limited ("Hengshi Holdings"), Hengshi International Investments Limited ("Hengshi Investments"), Hengshi Development International Limited, Aowei International Investments Limited and Aowei International Developments Limited ("Aowei Developments"). Each of Hengshi Holdings, Hengshi Investments and Aowei Developments is a controlling shareholder of the Company.

Mr. Li is the son of Mr. Li Yanjun.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang Kai (黃凱), aged 42, is our executive Director and was appointed as the chief executive officer of the Company on 30 March 2016. He is responsible for the Group's overall business management and daily operation.

Mr. Huang has approximately 10 years of management experience. From March 2004 to February 2012, he successively served as the head of corporate governance department, the assistant general manager and a deputy general manager of Aoyu Steel. Mr. Huang joined our Group in March 2010 as the vice chief of the preparatory group responsible for establishing Aowei Mining. He has been a standing deputy general manager of Aowei Mining since February 2012. He gained substantial management experience during his employment with Aoyu Steel and Aowei Mining.

Mr. Huang attended the continuing education course of iron and steel at Tsinghua University from July 2004 to October 2005. He obtained a bachelor's degree in Business Management from Renmin University of China in June 2013 by correspondence. He was named the Outstanding Individual of Hebei Province Metallurgy Industry (河北省冶金行業先進工作者) of Hebei Province Metallurgical Industry Association in April 2009 in recognition of his contribution to the mining industry.

Sun Jianhua (孫建華), aged 33, is our executive Director and the chief financial officer. He is responsible for our Group's accounting and financial management. He joined our Group in February 2012 as the head of the finance department of Aowei Mining.

Mr. Sun has over 10 years of experience in financial and accounting management. He served as the head of the finance department of Aowei Mining from February 2012 to June 2013. He held various positions at Aoyu Steel between February 2004 and February 2012, including accountant, head of the finance division and vice head of the finance department. Mr. Sun graduated from Baoding Financial Senior Professional Institute (保定市金融高等專科學校) in June 2003. He was admitted as a certified public accountant by the Chinese Institute of Certified Public Accountants in December 2010 and was accredited as a certified tax advisor by the State Administration of Taxation in June 2011 and a certified public valuer by the Ministry of Finance of the PRC in September 2011.

Mr. Tu Quanping (塗全平), aged 46, is our executive Director. He is responsible for the supervision of mining, processing, design and mining plan of all our iron ore mines.

Mr. Tu has more than 20 years of experience in the mining industry. Since joining our Group in August 2005, he has been in charge of the project design, infrastructure construction, development and mining of our mines, coordination of our production plan, design of the technical parameters of our ore preparation plants and onsite management and supervision. From August 2005 to March 2010, he served as the mining engineer, deputy head and head of Xinxin Mining. From March 2010 to June 2011, he served as the chief technical officer of the preparatory group responsible for the establishment of Aowei Mining. He has been a director of Xinxin Mining since June 2011. He has also been the chief engineer of Aowei Mining since June 2011.

Prior to joining our Group, Mr. Tu served as a mining engineer, and chief of mining, of Anhui Magang Group Nanshan Mining Company (安徽馬鋼集團南山礦業公司) from August 1991 to August 2005.

Mr. Tu obtained a bachelor's degree in Mining Engineering from Wuhan Steel Institute (武漢鋼鐵學院) (now known as Wuhan University of Science and Technology (武漢科技大學)) in July 1991. He took the postgraduate course of enterprise planning and development at Nanjing University (南京大學) from September 2001 to December 2003. Mr. Tu was accredited as a senior mining engineer by Magang Metallurgy Projects Senior Engineer Evaluation Committee (馬鋼冶金工程高級工程師評審委員會) in December 2002.

Mr. Li Jinsheng (李金生), aged 53, is our executive Director. He is responsible for Aowei Mining's overall business management and daily operation.

He possesses over 10 years of experience in operation and administration in the mining industry. From January 2005 to February 2006, Mr. Li served as the general manager of Laiyuan Xinxin Mining, an indirectly wholly owned subsidiary of the Company. From February 2006 to March 2012, Mr. Li was the general manager of Aoyu Steel. From April 2012 to March 2016, Mr. Li served as the deputy general manager of Aowei Group and was responsible for assisting the general manager in the business operation and development of the company. Mr. Li was appointed as an executive director of the Company on 30 March 2016, and was also appointed as a director and the general manager of Aowei Mining, an indirect wholly-owned subsidiary of the Company, and will be responsible for its business management and daily operations.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ge Xinjian (葛新建), aged 56, is our independent non-executive Director.

Mr. Ge has more than 30 years of experience in processing research, design and technical management. He serves as the Person-in-charge of technology of Magang Group Design & Research Institute Co., Ltd. (馬鋼集團設計研究院有限責任公司). Mr. Ge currently serves as a member of the 6th Ore Dressing Branch Committee of the Chinese Society for Metals (中國金屬學會選礦分會委員會), the director of China Metallurgical Mining Enterprise Association (中國冶金礦山企業協會), the standing director of the China Mining Development Strategic Alliance (中國礦業發展戰略聯盟), a member of the Expert Committee of the editorial department of Modern Mining (《現代礦業》編輯部), and a deputy doctoral mentor for students majored in Processing Engineer of School of Resources and Civil Engineering of Northeastern University (東北大學).

Mr. Ge published several theses in different professional journals and compiled many professional works, including Current Application of High-Pressure Grinder of Metallurgy Mine in China (《高壓輥磨工藝在我國冶金礦山的應用現狀》 (Modern Mining, 9th edition of 2009). Mr. Ge obtained a bachelor's degree in Ore Dressing from Jiangxi Metallurgy Institute (江西冶金學院) (now known as Jiangxi University of Science and Technology (江西理工大學)) in July 1983. Mr. Ge is a professor-level senior engineer in ore dressing recognized by Personnel Department of Anhui Province (安徽省人事廳) in December 2009, a national mineral reserves appraiser recognized by Department of Personnel and Education of Ministry of Land and Resources (國土資源部人事教育司) in September 2007 and a registered national environment engineer recognized by Personnel Department of Anhui Province in September 2007.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Meng Likun (孟立坤), aged 54, is our independent non-executive Director.

Mr. Meng has been the Chairman of the Board of Guojie Investments Holding Ltd. (國傑投資控股有限公司) since October 2014. Mr. Meng was a special consultant of Rongtong Fund Management Co., Ltd. (融通基金管理有限公司) from March 2010 to January 2012. He served as the president and an executive director of New Time Securities Co., Ltd. (新時代證券有限責任公司) from May 2006 to January 2009. He acted as the chairman of the board of directors of Rongtong Fund Management Co., Ltd. from May 2001 to March 2010.

Mr. Meng obtained a bachelor's degree in mechanical design and a master's degree in engineering from Taiyuan Mechanical Engineering College (太原機械學院), now known as North University of China (中北大學) in July 1982 and September 1986 respectively, and obtained a doctorate degree in engineering from Beijing Institute of Technology (北京理工大學) in March 1993.

Mr. Roy Kong Chi Mo (江智武),*FCCA, FCIS, FCS (PE) & MHKIoD*, aged 40, is our independent non-executive Director.

Mr. Kong has over 18 years of experience in accounting, internal control, corporate governance and capital market. Mr. Kong currently holds various positions in the following companies listed on the main board of the Stock Exchange:

Name of listed company	Stock code	Position held	Period
CAA Resources Limited	02112	Independent non-executive director	April 2013 – Present
China Vanadium Titano-Magnetite Mining Co., Ltd.	00893	Company secretary and authorised representative	September 2009 – Present
Huazhang Technology Holding Limited	01673	Independent non-executive director	May 2013 – Present

Mr. Kong was the executive director and chief financial officer of China Vanadium Titano-Magnetite Mining Co., Ltd. from October 2013 to May 2015 and from May 2008 to May 2015, respectively. Mr. Kong worked at KPMG from October 1999 and was a senior manager before he left in December 2007. Prior to joining KPMG, Mr. Kong worked as a finance trainee in Hutchison Telecommunications (Hong Kong) Limited from June 1997 to March 1998, and as a tax associate in PricewaterhouseCoopers from March 1998 to October 1999.

Mr. Kong has been a fellow member of the Association of Chartered Certified Accountants since February 2008, a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators since February 2012, and a member of the Hong Kong Institute of Directors ("HKIoD") since May 2010. Mr. Kong received silver certificates of merit in continuing professional development in 2012 and 2013 and gold certificate of merit in continuing professional development in 2014 from the HKIoD. Mr. Kong graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration in May 1997.

SENIOR MANAGEMENT

Name	Age	Position/Title
Gao Changquan	45	Deputy general manager of Aowei Mining
Li Dongfeng	44	Director and general manager of Jiheng Mining and director of Aowei Mining
Jin Jiangsheng	49	General manager of Jingyuancheng Mining and Xinxin Mining
Che Shengheng	53	Director and the vice chief engineer of Aowei Mining and director of Jingyuancheng Mining

Mr. Gao Changquan (郜常泉), aged 45, is the deputy general manager of Aowei Mining. He is responsible for the administrative affairs and finance and accounting of Aowei Mining.

Mr. Gao has approximately 25 years of experience in accounting and financial management. Mr. Gao first joined our Group in February 2005, where he served as the head of finance division of Xinxin Mining until March 2006. From March 2006 to February 2013, he served as the head of finance department of Aoyu Steel. He rejoined our Group in February 2013 as the head of the finance department of Aowei Mining, and was appointed as the deputy general manager of Aowei Mining in March 2016. Prior to joining our Group, Mr. Gao was an accountant of Baoding Xiangda Garment Manufactory Co., Ltd. (保定翔達製衣有限公司) from June 1993 to January 2005.

Mr. Gao obtained an undergraduate diploma in Accounting from The Open University of China (中國廣播電視大學) in January 2009.

Mr. Li Dongfeng (李東風), aged 44, is a director of Aowei Mining and Jiheng Mining. He also serves as the general manager of Jiheng Mining. He is responsible for the general management and daily operation of Jiheng Mining.

Mr. Li has over 10 years of experience in industrial marketing and management. From December 1996 to March 2004, he served as the business manager of Aowei Group. From March 2004 to June 2007, he served as a deputy general manager of Laiyuan County Huiyuan Mining Company Limited (淶源縣匯源礦業有限公司). From July 2007 to August 2010, he served as the general manager of Laiyuan County Xinrui Mining Company Limited (淶源縣鑫瑞礦業有限公司) ("Xinrui Mining"). Mr. Li joined our Group in August 2010 and since then has served as a director and the general manager of Jiheng Mining. He has been a director of Aowei Mining since June 2011 and was the general manager of Aowei Mining from June 2011 to March 2013.

Mr. Li graduated from high school.

Mr. Jin Jiangsheng (金江生), aged 49, is the general manager of Jingyuancheng Mining and Xinxin Mining. He is responsible for the general management and daily operation of Jingyuancheng Mining and Xinxin Mining.

Mr. Jin has over 10 years of experience in industrial marketing and management. He first joined our Group in December 2004, where he served as the leader of water concentration plant of Xinxin Mining until June 2006. Between June 2006 and February 2012, he worked at Aoyu Steel and subsequently served as the head of the sintering plant and the steel plant. He rejoined our Group in February 2012 as the general manager of Jingyuancheng Mining, and was also appointed as the general manager of Xinxin Mining in March 2016. Prior to joining our Group, Mr. Jin worked in Rongcheng County Machinery Plant (容城縣機械廠) and subsequently served as the head of the processing workshop, the head of the sales division and the head of Rongcheng County Machinery Plant from February 1991 to December 2003.

Mr. Jin graduated from high school.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Che Shengheng (車勝恒), aged 53, is a director of Aowei Mining and Jingyuancheng Mining. He currently serves as a vice chief engineer of Aowei Mining.

Mr. Che has approximately 30 years of experience in mine planning and exploration. From March 2002 to June 2007, he served as the general engineer of Laiyuan County Huiyuan Mining Co., Ltd. (淶源縣匯源礦業有限公司). From July 2007 to August 2010, he served as the general engineer of Xinrui Mining. Mr. Che joined our Group in August 2010. From August 2010 to June 2011, he served as the chief engineer of Jiheng Mining. He has been a director and the vice chief engineer of Aowei Mining and a director of Jingyuancheng Mining since June 2011.

Mr. Che obtained a bachelor's degree in Mining Engineering from Tangshan Engineering Technical College (唐山工程技術學院, currently known as Hebei United University (河北聯合大學)) in July 1986. In addition, Mr. Chen was accredited as a senior mining engineer by the Technological Evaluation Committee of Senior Metallurgy Projects in Hebei Province (冀高級冶金工程技術評委會) in October 1998.

Save as disclosed above, none of our Directors or senior management has other directorships in listed companies.

JOINT COMPANY SECRETARIES

Ms. Kwong Yin Ping, Yvonne, a member of The Hong Kong Institute of Chartered Secretaries, has been appointed as the joint company secretary of our Company. Her principal associate in our Company is Mr. Meng Ziheng, the joint company secretary of our Company.

Mr. Meng Ziheng (孟子恒), aged 31, the joint company secretary of our Company. From April 2011 to June 2013, Mr. Meng has been an investment manager at the strategic investment department of Aowei Group. He served as a system manager at the operation management department of Aowei Group from April 2010 to March 2011. He worked at the equipment maintenance department of Hebei Guohua Dingzhou Power Generation Co., Ltd. (河北國華定洲發電有限責任公司) from July 2007 to March 2010. Mr. Meng graduated from the North China Electric Power University (華北電力大學) in July 2007, majoring in software engineering, and obtained a bachelor's degree.

Ms. Kwong Yin Ping, Yvonne (鄺燕萍), the joint company secretary of our Company. Ms. Kwong obtained a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University (香港理工大學). She works as vice president in a professional corporate services company which is engaged in providing secretarial and compliance services for listed companies. She is also a fellow of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators of the United Kingdom. She has extensive experience in providing company secretarial services for numerous private and listed companies. She serves as company secretary and joint company secretary of various companies listed on the Hong Kong Stock Exchange. Mr. Meng Zihang is the main contact person of Ms. Kwong in the Company.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of
Hengshi Mining Investments Limited
(incorporated in the British Virgin Islands and continued in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hengshi Mining Investments Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 62 to 120, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, 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 judgement, 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 the consolidated financial statements that gives 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.

INDEPENDENT AUDITOR'S REPORT

OPINION

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Revenue	4	**753,663**	1,108,143
Cost of sales		**(487,343)**	(553,055)
Gross profit		**266,320**	555,088
Distribution costs		**(19,989)**	(16,575)
Administrative expenses		**(115,183)**	(142,313)
Impairment losses	15	**(393,637)**	–
(Loss)/profit from operations		**(262,489)**	396,200
Finance income	5(a)	**3,466**	10,594
Finance costs	5(a)	**(27,248)**	(40,026)
Net finance costs		**(23,782)**	(29,432)
(Loss)/profit before taxation	5	**(286,271)**	366,768
Income tax	6	**51,190**	(96,206)
(Loss)/profit for the year		**(235,081)**	270,562
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of group of companies outside of Mainland China	9	**106**	3,644
Total comprehensive income for the year		**(234,975)**	274,206
(Loss)/profit attributable to:			
Equity shareholders of the Company		**(235,081)**	263,000
Non-controlling interests		**–**	7,562
(Loss)/profit for the year		**(235,081)**	270,562
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(234,975)**	266,644
Non-controlling interests		**–**	7,562
Total comprehensive income for the year		**(234,975)**	274,206
(Loss)/earnings per share			
Basic and diluted (RMB)	10	**(0.16)**	0.17

The notes on pages 67 to 120 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015
(Expressed in Renminbi)

	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment, net	11	724,458	637,522
Construction in progress	12	58,981	225,711
Lease prepayments	13	143,006	153,931
Intangible assets	14	602,673	819,302
Long-term receivables	17	40,960	33,960
Prepayments	18	3,382	23,105
Deferred tax assets	24(b)	107,316	11,415
Total non-current assets		1,680,776	1,904,946
Current assets			
Inventories	19	115,052	137,482
Trade and other receivables	20	209,520	152,137
Cash and cash equivalents	21	59,495	167,431
Total current assets		384,067	457,050
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	22(a)	200,000	100,000
Trade and other payables	23	130,815	194,421
Current taxation	24(a)	8,868	18,839
Current portion of long-term payables	25	5,786	54,766
Current portion of accrued reclamation obligations	26	6,399	5,469
Total current liabilities		351,868	373,495
Net current assets		32,199	83,555
Total assets less current liabilities		1,712,975	1,988,501

The notes on pages 67 to 120 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015
(Expressed in Renminbi)

	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
Non-current liabilities			
Interest-bearing borrowings, less current portion	*22(b)*	**–**	100,000
Long-term payables, less current portion	*25*	**229,885**	177,133
Accrued reclamation obligations, less current portion	*26*	**49,086**	42,389
Deferred tax liabilities	*24(b)*	**–**	11,718
Total non-current liabilities		**278,971**	331,240
NET ASSETS		**1,434,004**	1,657,261
CAPITAL AND RESERVES			
Share capital	*27(c)*	**120**	120
Reserves		**1,433,884**	1,657,141
TOTAL EQUITY		**1,434,004**	1,657,261

Approved and authorised for issue by the board of directors on 30 March 2016.

Li Yanjun
Chairman and Executive Director

Leung Hongying Li Ziwei
Vice Chairman and Executive Director

The notes on pages 67 to 120 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000 *(note 27(c))*	Share premium RMB'000 *(note 27(d))*	Statutory surplus reserve RMB'000 *(note 27(d))*	Specific reserve RMB'000 *(note 27(d))*	Exchange reserve RMB'000 *(note 27(d))*	Other reserve RMB'000 *(note 27(d))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014		120	928,309	71,176	37,781	(5,597)	(62,972)	490,262	1,459,079	53,694	1,512,773
Changes in equity for 2014:											
Profit for the year		–	–	–	–	–	–	263,000	263,000	7,562	270,562
Other comprehensive income		–	–	–	–	3,644	–	–	3,644	–	3,644
Total comprehensive income		–	–	–	–	3,644	–	263,000	266,644	7,562	274,206
Acquisition of non-controlling interests		–	–	4,863	1,650	–	(63,257)	–	(56,744)	(61,256)	(118,000)
Transfer to specific reserve, net of utilisation		–	–	–	27,182	–	–	(27,182)	–	–	–
Appropriation to reserve		–	–	8,517	–	–	–	(8,517)	–	–	–
Recognition of deferred tax liabilities arising from undistributed profits of subsidiaries in Mainland China	*24(b)*	–	–	–	–	–	–	(11,718)	(11,718)	–	(11,718)
Balance at 31 December 2014 and 1 January 2015		**120**	**928,309**	**84,556**	**66,613**	**(1,953)**	**(126,229)**	**705,845**	**1,657,261**	**–**	**1,657,261**
Changes in equity for 2015:											
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(235,081)**	**(235,081)**	**–**	**(235,081)**
Other comprehensive income		**–**	**–**	**–**	**–**	**106**	**–**	**–**	**106**	**–**	**106**
Total comprehensive income		**–**	**–**	**–**	**–**	**106**	**–**	**(235,081)**	**(234,975)**	**–**	**(234,975)**
Transfer to specific reserve, net of utilisation		**–**	**–**	**–**	**(1,070)**	**–**	**–**	**1,070**	**–**	**–**	**–**
Reversal of deferred tax liabilities arising from undistributed profits of subsidiaries in Mainland China	*24(b)*	**–**	**–**	**–**	**–**	**–**	**–**	**11,718**	**11,718**	**–**	**11,718**
Balance at 31 December 2015		**120**	**928,309**	**84,556**	**65,543**	**(1,847)**	**(126,229)**	**483,552**	**1,434,004**	**–**	**1,434,004**

The notes on pages 67 to 120 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
(Loss)/profit before taxation		**(286,271)**	366,768
Adjustments for:			
Depreciation and amortisation	*5(c)*	**111,676**	95,994
Interest income	*5(a)*	**(3,466)**	(10,594)
Interest expenses	*5(a)*	**27,218**	32,086
Net losses on disposal of property, plant and equipment	*5(c)*	**23,045**	11,450
Impairment losses	*15*	**393,637**	–
Changes in working capital:			
Decrease/(increase) in inventories		**22,430**	(96,247)
Increase in trade and other receivables		**(66,620)**	(182,616)
(Decrease)/increase in trade and other payables		**(43,302)**	9,505
Cash generated from operations		**178,347**	226,346
Income tax paid	*24(a)*	**(54,682)**	(88,868)
Net cash generated from operating activities		**123,665**	137,478
Investing activities			
Payment for purchase of property, plant and equipment and construction in progress		**(190,739)**	(264,479)
Payment for purchase of lease prepayments		**(4,044)**	(1,048)
Payment for purchase of intangible assets		**(25,515)**	(462,724)
Proceeds from disposal of property, plant and equipment		**711**	1,629
Interest received		**3,466**	10,594
Net cash used in investing activities		**(216,121)**	(716,028)
Financing activities			
Proceeds from borrowings		**100,000**	110,000
Repayment of borrowings		**(100,000)**	(220,000)
Payment for acquisition of non-controlling interests		**–**	(118,000)
Interest paid		**(15,586)**	(14,065)
Net cash used in financing activities		**(15,586)**	(242,065)
Net decrease in cash and cash equivalents		**(108,042)**	(820,615)
Cash and cash equivalents at 1 January		**167,431**	987,562
Effect of foreign exchange rate changes		**106**	484
Cash and cash equivalents at 31 December	*21*	**59,495**	167,431

The notes on pages 67 to 120 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATION INFORMATION

Hengshi Mining Investments Limited (the "Company") was incorporated in the British Virgin Islands on 14 January 2011 and redomiciled to the Cayman Islands on 23 May 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (2012 Revision, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together the "Group") are principally engaged in the mining, processing and sale of iron ore products in the People's Republic of China ("PRC").

Pursuant to a group reorganisation (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the Reorganisation are set out in the prospectus of the Company dated 18 November 2013. The Company's shares were listed on the Stock Exchange on 28 November 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IAS 19, *Employee benefits: Defined benefit plans: Employee contributions*

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group does not operate any defined benefit plan.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

(d) Basis of consolidation

(i) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted to equity. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(ii) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Acquisition-related costs are expensed when incurred. The acquiree's identifiable assets, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Basis of consolidation *(continued)*

(iii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment

Property, plant and equipment, which consists of buildings and plants, machinery and equipment, motor vehicles, office equipment and mine properties (including capitalised stripping costs), are initially stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use, the cost of borrowed funds used during the period of construction (see note 2(w)) and, when relevant, the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other cost is recognised as an expense in profit or loss in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, other than mine properties, over their estimated useful lives using the straight-line method, after taking into account the estimated residual values. The estimated useful lives of property, plant and equipment, other than mine properties, are as follows:

	Depreciable life
Buildings and plants	6–20 years
Machinery and equipment	3–10 years
Motor vehicles	5 years
Office equipment	3 years

Mine properties are depreciated using the units-of-production method based on the proven and probable mineral reserves of the relevant ore body or component of ore body.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Construction in progress

Construction in progress represents property and plant under construction, equipment pending installation and mines under construction, and is initially recognised at cost less impairment losses (see note 2(j)(ii)). Cost comprises cost of materials, direct labour and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

(g) Capitalised stripping costs

The process of removing overburden and other mine waste materials to access mineral deposits is referred to as stripping. In open-pit mining, stripping costs are accounted for separately for each component of an ore body unless the stripping activity provides improved access to the whole of the ore body. A component is a specific section within an ore body that is made more accessible by the stripping activity. The identification of components is dependent on the mine plan.

There are two types of stripping activity:

- Development stripping is the initial overburden removal during the development phase to obtain access to a mineral deposit that will be commercially produced; and
- Production stripping is the inter-burden removal during the normal course of production activity.

Development stripping costs are capitalised as a stripping activity asset (in construction in progress) and forming part of the cost of constructing the mine, when:

- It is probable that future economic benefits associated with the asset will flow to the Group; and
- The costs can be measured reliably.

Capitalisation of development stripping costs ceases and these costs are transferred to mine properties (in property, plant and equipment) when the ore body or the component of an ore body is ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Capitalised stripping costs *(continued)*

Production stripping can give rise to two benefits being the extraction of ore in the current period and improved access to the ore body or the component of an ore body in future periods. To the extent that the benefit is the extraction of ore, the stripping costs are recognised as cost of inventories. To the extent the benefit is improved access to the ore body or the component of an ore body in future periods, the stripping costs are capitalised as mine properties, if the following criteria are met:

- It is probable that the future economic benefits (improved access to the ore body or the component of an ore body) will flow to the Group;
- The ore body or the component of an ore body for which access has been improved can be identified; and
- The costs relating to the stripping activity can be measured reliably.

Production stripping costs are allocated between the inventories produced and the mine properties capitalised using a life-of-component waste to ore stripping ratio. When the current stripping ratio is greater than the life-of-component stripping ratio, a portion of the stripping costs is capitalised to the existing mine properties.

(h) Intangible assets

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses (see note 2(j)(ii)). The mining rights are amortised using the units-of-production method based on the proved and probable mineral reserves. The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

(ii) Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses (see note 2(j)(ii)). Exploration and evaluation assets include expenditures incurred in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and expenditures incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure during the initial exploration stage is charged to profit or loss as incurred.

When it can be reasonably ascertained that a mining structure is capable of commercial production, exploration and development costs capitalised are transferred to mining right and amortised to profit or loss using the units-of-production method based on the proved and probable mineral reserves. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets are written off to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

(iii) Lease prepayments

Lease prepayments represent the costs of acquiring land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 2(j)(ii)). Amortisation is charged to profit or loss on a straight line basis over the period of land use rights.

(j) Impairment of assets

(i) Impairment of investments in subsidiaries and trade and other receivables

Investments in subsidiaries and trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(i) Impairment of investments in subsidiaries and trade and other receivables *(continued)*

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- For investments in subsidiaries (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).

- For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (including capitalised mine properties);
- construction in progress (including capitalised stripping activity asset);
- lease prepayments;
- intangible assets; and
- other non-current assets (excluding receivables)

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal ("FVLCD") and value in use ("VIU"). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit, or "CGU").

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the CGU (or group of CGUs) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual FVLCD (if measurable) or VIU (if determinable).

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(k) Inventories

Inventories, including weakly mineralised wall rock, iron ores, preliminary concentrates and iron ore concentrates, are physically measured or estimated and valued at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion, an appropriate portion of fixed and variable overhead costs, including the stripping costs incurred during the production phase, and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated future sales price of the product the Group expects to realise when such item is sold or processed, less estimated costs to complete and bring the product to sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories of ancillary materials, spare parts and small tools used in production are stated at cost less impairment losses for obsolescence.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Income tax *(continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

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

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(s) Levies

A levy is not recognised until the obligating event specified in relevant legislation occurs, even if there is no realistic opportunity to avoid the obligation.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Obligations for reclamation

The Group's obligations for reclamation consist of spending estimates at its mines in accordance with the relevant rules and regulations in the PRC. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash spending to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final reclamation and mine closure as mine properties in property, plant and equipment. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of iron ore products

Revenue associated with the sale of iron ores, preliminary concentrates and iron ore concentrates is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Translation of foreign currencies

The presentation currency of the Group is Renminbi ("RMB"). The functional currency of the Company and Hengshi Development International Limited is Hong Kong dollars ("HKD") and the functional currency of other group entities located in the PRC are Renminbi. Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Related parties

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

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

(b) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Iron ore reserves

Engineering estimates of the Group's iron ore reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. Reserve estimates are updated at regular basis and have taken into account recent production and technical information about the relevant iron ore deposits. In addition, as prices and cost levels change from year to year, the estimate of iron ore reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation and amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment loss. Depreciation and amortisation rates are determined based on estimated iron ore reserve quantity and costs of mining structures and mining rights. The cost of mining structures and mining rights are depreciated and amortised based on the units of iron ore reserves consumed.

(ii) Useful lives of property, plant and equipment

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

(iii) Impairment of assets

The Group reviews the carrying amounts of the assets at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the carrying amount and VIU and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of the impairment loss and affect the Group's net asset value.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognised in profit or loss when there is objective evidence (e.g. probability of insolvency or significant financial difficulties of debtors) that the Group will not be able to collect all of the amounts due under the original terms of invoices. Management uses judgement in determining the probability of insolvency or significant financial difficulties of debtors.

An increase or decrease in the above impairment loss would affect the net profit in future years.

3 ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

(a) Critical accounting judgements in applying the Group's accounting policies *(continued)*

(iv) Obligations for reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognised at the appropriate discount rate.

(v) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in the future years.

(vi) Capitalised stripping costs

Production stripping costs can be incurred both in relation to the production of inventories in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventories, while the latter are capitalised as mine properties, where certain criteria are met (see note 2(g)). Significant judgement is required to distinguish between the production stripping that related to the extraction of inventories and what relates to the creation of mine properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

(a) Critical accounting judgements in applying the Group's accounting policies *(continued)*

(vi) Capitalised stripping costs *(continued)*

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocation production stripping costs between inventories and any stripping activity asset for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ores to be mined for a specific component of the ore body, the most suitable production measure.

(vii) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Group. It requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

(b) Sources of estimation uncertainty

Other than requiring critical accounting judgements, assumptions concerning the future and other major sources of estimation uncertainty at the end of each reporting period are required in relation to the Group's accounting policies on "obligations for reclamation" and "recognition of deferred tax assets". Information about the assumptions and their risk factors are set out in notes 3(a)(iv) and (v).

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the mining, processing and sale of iron ores, preliminary concentrates and iron ore concentrates. Revenue represents the sales value of goods sold to customers exclusive of value added tax. The amount of each significant category of revenue recognised is as follows:

	2015 RMB'000	2014 RMB'000
Iron ore concentrates	695,345	817,803
Preliminary concentrates	46,479	34,696
Iron ores	11,660	255,366
Others	179	278
	753,663	1,108,143

During the year ended 31 December 2015, there were three customers with whom transactions have exceeded 10% of the Group's revenue (2014: two customers) and revenue from sales of iron ore concentrates to these customers amounted to RMB635,840,000 (2014: RMB527,597,000). Details of the concentration of credit risk arising from the Group's customers are set out in note 28(a).

(b) Segment reporting

The Group has one business segment, the mining, processing and sale of iron ore products. All of its customers are located in the PRC. Based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment, the Group's only operating segment is the mining, processing and sale of iron ore products. Accordingly, no additional business and geographical segment information are presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs:

	2015 RMB'000	2014 RMB'000
Interest income	(3,466)	(10,594)
Finance income	(3,466)	(10,594)
Interest on interest-bearing borrowings	15,586	14,065
Unwinding of interest on		
– long-term payables	9,287	14,956
– accrued reclamation obligations *(note 26)*	2,345	3,065
Foreign exchange loss, net	30	7,940
Finance costs	27,248	40,026
Net finance costs	23,782	29,432

During the year ended 31 December 2015, no borrowing costs were capitalised in relation to construction in progress (2014: RMB nil).

(b) Staff costs:

	2015 RMB'000	2014 RMB'000
Salaries, wages and other benefits	77,405	103,553
Retirement scheme contributions	7,673	10,366
	85,078	113,919

Employees of the Group are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds at a rate of 12% of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other obligations for payment of retirement and other post-retirement benefits of employees other than the contribution described above.

5 (LOSS)/PROFIT BEFORE TAXATION *(continued)*

(c) Other items:

	2015 RMB'000	2014 RMB'000
Cost of inventories *(note (i))*	**487,343**	553,055
Depreciation and amortisation	**111,676**	95,994
Auditor's remuneration		
– audit services	**3,180**	3,180
Net losses on disposal of property, plant and equipment	**23,045**	11,450
Operating lease charges	**4,003**	2,647
Impairment losses *(note (ii))*	**393,637**	–

Notes:

(i) During the year ended 31 December 2015, cost of inventories includes RMB153,262,000 (2014: RMB120,739,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges which are also included in the respective amounts disclosed separately above for each of these types of expenses.

During the year ended 31 December 2015, production stripping costs recognised in profit or loss as part of cost of inventories amounted to RMB213,674,000 (2014: RMB255,188,000).

(ii) As part of the review of carrying value of CGUs, an aggregate impairment charge of RMB393,637,000 was recognised in the consolidated statement of profit or loss and other comprehensive income as a separate line item within operating profit for the year ended 31 December 2015 (2014: RMB nil). A description of the assumptions used in the impairment calculation was set out in note 15.

6 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2015 RMB'000	2014 RMB'000
Current tax		
Provision for PRC enterprise income tax *(note 24(a))*	**44,711**	98,980
Deferred tax		
Origination and reversal of temporary differences *(note 24(b))*	**(95,901)**	(2,774)
	(51,190)	96,206

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(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX *(continued)*

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rate:

	2015 RMB'000	2014 RMB'000
(Loss)/profit before taxation	**(286,271)**	366,768
Notional tax on (loss)/profit before taxation, calculated at tax rate of 25% *(note (i))*	**(71,568)**	91,692
Differential tax rates on subsidiaries' income *(note (iii))*	**(2,482)**	(3,080)
Tax effect of non-deductible expenses	**2,439**	1,211
Tax effect of unused tax losses not recognised *(note 24(c))*	**20,421**	6,383
Actual tax expense	**(51,190)**	96,206

Notes:

(i) The PRC enterprise income tax rate is adopted as the Group's operations are mainly conducted in the PRC. Pursuant to the prevailing income tax rules and regulations of the PRC, the PRC enterprise income tax is at a rate of 25%.

(ii) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the years presented.

(iii) According to the PRC Enterprise Income Tax Law and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises for profits earned since 1 January 2008 are subject to withholding income tax at a rate of 10%, unless reduced by tax treaties or arrangements. Undistributed profits earned prior to 1 January 2008 are exempted from such withholding tax.

7 DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2015				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Li Yanjun *(chairman)*	–	1,449	–	–	1,449
Mr. Leung Hongying Li Ziwei *(vice chairman)*	–	960	–	11	971
Mr. Xia Guoan (resigned on 30 March 2016)	–	605	–	–	605
Mr. Sun Jianhua	–	185	–	12	197
Mr. Huang Kai	–	365	–	–	365
Mr. Tu Quanping	–	509	–	16	525
Independent non-executive directors					
Mr. Ge Xinjian	97	–	–	–	97
Mr. Meng Likun	97	–	–	–	97
Mr. Kong Chi Mo	145	–	–	–	145
	339	4,073	–	39	4,451

Mr. Li Jinsheng was appointed as an executive Director of the Company on 30 March 2016.

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7 DIRECTORS' REMUNERATION *(continued)*

	2014				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Li Yanjun *(chairman)*	–	2,280	–	25	2,305
Mr. Leung Hongying Li Ziwei *(vice chairman)*	–	950	–	–	950
Mr. Xia Guoan (resigned on 30 March 2016)	–	717	45	–	762
Mr. Sun Jianhua	–	179	–	17	196
Mr. Huang Kai	–	463	38	20	521
Mr. Tu Quanping	–	573	30	25	628
Independent non-executive directors					
Mr. Ge Xinjian	96	–	–	–	96
Mr. Meng Likun	96	–	–	–	96
Mr. Kong Chi Mo	143	–	–	–	143
	335	5,162	113	87	5,697

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2014: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2014: two) individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	1,874	1,477
Discretionary bonuses	–	97
Retirement scheme contributions	46	49
	1,920	1,623

The emoluments of the three (2014: two) individuals with the highest emoluments are within the following bands:

	2015 Number of Individuals	2014 Number of Individuals
Nil to HKD1,000,000	3	1
HKD1,000,001 to HKD 1,500,000	–	1
	3	2

9 OTHER COMPREHENSIVE INCOME

The component of other comprehensive income does not have any significant tax effect for the years presented.

10 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company for the year ended 31 December 2015 of RMB235,081,000 (2014: profit of RMB263,000,000) and the weighted average number of shares in issue during the year ended 31 December 2015 of 1,507,843,000 shares (2014: 1,507,843,000 shares).

The Company did not have any potential dilutive shares for the years presented. Accordingly, diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings and plants RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Mine properties RMB'000	Total RMB'000
Cost:						
At 1 January 2014	259,714	218,454	25,306	3,221	39,115	545,810
Additions	58,022	49,263	5,931	1,748	2,190	117,154
Disposals	(13,384)	(24,557)	(2,961)	(308)	–	(41,210)
Transferred from construction in progress *(note 12)*	22,341	57,688	–	159	53,975	134,163
At 31 December 2014	326,693	300,848	28,276	4,820	95,280	755,917
At 1 January 2015	**326,693**	**300,848**	**28,276**	**4,820**	**95,280**	**755,917**
Additions	**30,347**	**11,246**	**3,734**	**17**	**5,706**	**51,050**
Disposals	**(12,880)**	**(17,483)**	**(1,054)**	**–**	**–**	**(31,417)**
Transferred from construction in progress *(note 12)*	**27,795**	**12,141**	**–**	**–**	**268,330**	**308,266**
At 31 December 2015	**371,955**	**306,752**	**30,956**	**4,837**	**369,316**	**1,083,816**
Accumulated depreciation and impairment losses:						
At 1 January 2014	(18,947)	(56,377)	(12,295)	(1,803)	(5,659)	(95,081)
Charge for the year	(13,540)	(21,809)	(5,225)	(1,995)	(8,876)	(51,445)
Written back on disposals	7,078	18,182	2,586	285	–	28,131
At 31 December 2014	(25,409)	(60,004)	(14,934)	(3,513)	(14,535)	(118,395)
At 1 January 2015	**(25,409)**	**(60,004)**	**(14,934)**	**(3,513)**	**(14,535)**	**(118,395)**
Charge for the year	**(18,126)**	**(27,804)**	**(4,551)**	**(575)**	**(13,184)**	**(64,240)**
Impairment losses *(note 15)*	**(60,701)**	**(42,243)**	**(1,566)**	**(104)**	**(79,770)**	**(184,384)**
Written back on disposals	**1,862**	**5,385**	**414**	**–**	**–**	**7,661**
At 31 December 2015	**(102,374)**	**(124,666)**	**(20,637)**	**(4,192)**	**(107,489)**	**(359,358)**
Net carrying value						
At 31 December 2015	**269,581**	**182,086**	**10,319**	**645**	**261,827**	**724,458**
At 31 December 2014	301,284	240,844	13,342	1,307	80,745	637,522

11 PROPERTY, PLANT AND EQUIPMENT, NET *(continued)*

The Group's property, plant and equipment are substantially located in the PRC. Up to the issue of these financial statements, the Group is still in the process of applying for the title certificates of certain of its buildings and plants with a carrying amount of approximately RMB108,247,000 (31 December 2014: RMB88,965,000). The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties.

As at 31 December 2015, mine properties include capitalised stripping activity asset with a carrying amount of RMB305,456,000 (31 December 2014: RMB48,288,000).

12 CONSTRUCTION IN PROGRESS

	Stripping activity asset RMB'000	Other property and plant under construction/ installation RMB'000	Total RMB'000
At 1 January 2014	165,777	1,215	166,992
Additions	107,030	85,852	192,882
Transferred to property, plant and equipment *(note 11)*	(53,975)	(80,188)	(134,163)
At 31 December 2014	218,832	6,879	225,711
At 1 January 2015	**218,832**	**6,879**	**225,711**
Additions	**49,498**	**117,129**	**166,627**
Transferred to property, plant and equipment *(note 11)*	**(268,330)**	**(39,936)**	**(308,266)**
Impairment losses *(note 15)*	**–**	**(25,091)**	**(25,091)**
At 31 December 2015	**–**	**58,981**	**58,981**

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13 LEASE PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Cost:		
At 1 January	206,683	197,034
Additions	4,044	11,094
Disposals	–	(1,445)
At 31 December	210,727	206,683
Accumulated amortisation:		
At 1 January	(52,752)	(39,539)
Charge for the year	(14,969)	(14,658)
Written back on disposals	–	1,445
At 31 December	(67,721)	(52,752)
Net carrying value:	143,006	153,931

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC, with original lease periods over 5 to 50 years. Up to the issue of these financial statements, the Group is still in the process of applying for the title certificates of certain of its leasehold land with a carrying amount of approximately RMB125,506,000 (31 December 2014: RMB136,254,000). The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned leasehold land.

The analysis of net carrying value of leasehold land is as follows:

	2015 RMB'000	2014 RMB'000
In the PRC:		
– short leases	25,883	23,472
– medium-term leases	117,123	130,459
At 31 December	143,006	153,931

14 INTANGIBLE ASSETS

	2015 RMB'000	2014 RMB'000
Cost:		
At 1 January	**880,567**	451,419
Additions	**–**	429,148
At 31 December	**880,567**	880,567
Accumulated amortisation:		
At 1 January	**(61,265)**	(31,374)
Charge for the year	**(32,467)**	(29,891)
Impairment losses *(note 15)*	**(184,162)**	–
At 31 December	**(277,894)**	(61,265)
Net carrying value:	**602,673**	819,302

Intangible assets represent mining rights acquired by the Group and related premium paid in relation to obtaining the mining rights.

As at 31 December 2015, the Group's borrowings were secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with a carrying amount of approximately RMB81,020,000 (31 December 2014: RMB105,362,000).

15 IMPAIRMENT LOSSES

As a result of continuing and weaker iron ore product price forecasts and consequent deferral of mine development plan in the second half of 2015, the Group identified indications of impairment in relation to Laiyuan County Jingyuancheng Mining Co., Ltd. ("Jingyuancheng Mining") and Laiyuan Xinxin Mining Co., Ltd. ("Xinxin Mining"). Consequently, a formal estimate of the recoverable amounts of the related CGUs was performed. For the purpose of the impairment testing, each of Jingyuancheng Mining and Xinxin Mining is regarded as a CGU.

In assessing whether an impairment is required, the carrying value of a CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's FVLCD and VIU. Given the nature of the Group's activities, information on the fair value of a CGU is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. As such, the recoverable amount of each CGU was determined based on VIU, which is the present value of the estimated future cash flows to be derived from the continuing use of the CGU and from its ultimate disposal. These cash flows were discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the CGU.

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15 IMPAIRMENT LOSSES *(continued)*

(a) For the year ended 31 December 2015, the following impairment losses were recognised:

	Jingyuancheng Mining RMB'000	Xinxin Mining RMB'000	Total RMB'000
Property, plant and equipment *(note 11)*	142,834	41,550	184,384
Construction in progress *(note 12)*	25,081	10	25,091
Intangible assets *(note 14)*	165,798	18,364	184,162
	333,713	59,924	393,637

(b) The determination of VIU was most sensitive to the following assumptions:

(i) Iron ore concentrate prices

Forecast prices of iron ore concentrate are based on management's estimates and are derived from forward price curves and long-term view of market supply and demand in the PRC, building upon past experience of the industry and consistent with external sources. These prices are adjusted to arrive at appropriate consistent price assumptions for different qualities of iron ore concentrates, or where appropriate, contracted prices were applied.

(ii) Sales and production volumes

Sales volumes are in line with production volumes. Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines established by management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as the recoverable quantities, the production profile, the cost of the development of the infrastructure necessary to extract the reserves, the production costs, the contractual duration of mining rights and the selling price of the iron ores extracted (after consideration of further processing costs as appropriate). The production profiles used are consistent with the reserves and resource volumes approved as part of the Group's process for the estimation of proved and probable reserves and total resources.

15 IMPAIRMENT LOSSES *(continued)*

(b) The determination of VIU was most sensitive to the following assumptions: *(continued)*

(iii) Discount rate

In arriving at the VIU, a pre-tax discount rate of 11.37% was applied to the estimated future cash flows of the respective CGUs as at 31 December 2015. This discount rate is derived from the Group's weighted average cost of capital ("WACC"), with appropriate adjustments made to reflect the risks specific to the CGUs. The WACC takes into account both debt and equity, weighted based on the Group's and comparable peer companies' average capital structure. The cost of equity is derived from the expected return on investment by the Group's investors based on publicly available market data of comparable peer companies. The cost of debt is based on the borrowing cost of interest-bearing borrowings of the Group that reflects the credit rating of the Group.

(c) Sensitivity analysis

With the exception of Jingyuancheng Mining and Xinxin Mining, which were impaired during the year, management believes that currently there are no reasonably possible changes in any of the above assumptions, which could lead to an impairment for any CGU not impaired during the year.

The sensitivity analysis of recoverable amounts to the assumptions above, expressed as impairment losses additional to those recognised during the year, is as follows:

	Jingyuancheng Mining RMB'000	**Xinxin Mining** RMB'000	**Total** RMB'000
1% decrease in iron ore concentrate prices	7,698	3,197	10,895
1% decrease in production volume	6,616	2,623	9,239
One percentage point increase in discount rate	33,473	16,959	50,432

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16 SUBSIDIARIES OF THE GROUP

The following list contains the particular of subsidiaries of the Group as at 31 December 2015. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
Hengshi Development International Limited 恒實發展國際有限公司	Hong Kong	100 shares of HKD1.00 each	100%	100%	–	Investment holding
Sichuan Panshi Industrial Co., Ltd. # 四川盤實實業有限公司	PRC	RMB150,000,000	100%	–	100%	Investment holding
Sichuan Hengwen Industrial Co., Ltd. # 四川恒穩實業有限公司	PRC	RMB120,000,000	100%	–	100%	Investment holding
Laiyuan County Aowei Mining Investments Co., Ltd. # 淶源縣奧威礦業投資有限公司	PRC	RMB120,000,000	100%	–	100%	Investment holding
Laiyuan County Jingyuancheng Mining Co., Ltd.# 淶源縣京源城礦業有限公司	PRC	RMB160,000,000	100%	–	100%	Mining, processing and sales of iron ore products
Laiyuan Xinxin Mining Co., Ltd. # 淶源鑫鑫礦業有限公司	PRC	RMB50,000,000	100%	–	100%	Mining, processing and sale of iron ore products
Laiyuan County Jiheng Mining Co., Ltd.# 淶源縣冀恒礦業有限公司	PRC	RMB100,000,000	100%	–	100%	Mining, processing and sale of iron ore products

The official names of the entities are in Chinese. The English names are for identification purpose only.

17 LONG-TERM RECEIVABLES

	2015 RMB'000	2014 RMB'000
Environmental reclamation deposits	**40,960**	33,960

The balances represent environmental reclamation deposits placed with government in respect of the Group's reclamation obligations for the closure of mines and are not expected to be refunded within the next 12 months.

18 PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Prepayments for construction work and equipment purchases	**3,382**	23,105

19 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2015 RMB'000	2014 RMB'000
Weakly mineralised wall rock#	**19,467**	53,979
Iron ores	**37,759**	17,299
Preliminary concentrates	**8,431**	16,106
Iron ore concentrates	**28,120**	29,573
	93,777	116,957
Consumables and supplies	**21,275**	20,525
	115,052	137,482

Weakly mineralised wall rock represents sub-graded mineral materials.

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19 INVENTORIES *(continued)*

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	487,343	553,055

20 TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Accounts receivable	92,252	110,589
Bills receivable	–	15,700
Trade receivables *(note (a))*	92,252	126,289
Other receivables *(note (d))*	117,268	25,848
	209,520	152,137

(a) Ageing analysis

At the end of reporting period, the ageing analysis of trade receivables (net of allowance for doubtful debts, if any) is as follows:

	2015 RMB'000	2014 RMB'000
Current	91,966	126,289
Over 6 months but less than 1 year	286	–
	92,252	126,289

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(j)(i)).

20 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**91,966**	126,289
Over 6 months but less than 1 year	**286**	–
	92,252	126,289

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to an independent customer that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Other receivables

	2015 RMB'000	2014 RMB'000
Prepayments and deposits#	**114,759**	21,440
Value added tax recoverable	**1,810**	3,682
Amounts due from a related party *(note 30(b))*	**3**	–
Others	**696**	726
	117,268	25,848

Prepayments and deposits mainly represent advance payments made to the Group's mining contractors. As at 31 December 2015, prepayments to Tangshan Hengsheng Blasting Engineering Co., Ltd. for blasting services, to Laiyuan County Huiguang Logistics Co., Ltd. for on-site loading services and to Laiyuan County Ao Tong Transportation Co., Ltd. for transportation services amounted to RMB31,723,000, RMB23,693,000 and RMB45,435,000, respectively (31 December 2014: RMB nil, RMB nil and RMB3,480,000, respectively).

Based on agreements with the respective mining contractors, all of which are independent third parties, the prepaid amounts are interest free and the Group anticipates the amounts to be subsequently utilised along with the provision of related services within one year.

As at 31 December 2015, other than deposits amounted to RMB1,935,000 (31 December 2014: RMB2,384,000), which are included in prepayments and deposits, all of the other receivables were aged within one year and were expected to be recovered or expensed off within one year.

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21 CASH AND CASH EQUIVALENTS

	2015 RMB'000	2014 RMB'000
Cash on hand	**57**	110
Cash at banks	**59,438**	167,321
	59,495	167,431

22 BORROWINGS

(a) The Group's short-term interest-bearing borrowings comprise:

	2015 Interest rate per annum %	**2015 RMB'000**	2014 Interest rate per annum %	2014 RMB'000
Renminbi denominated				
Short-term borrowings:				
– secured bank loans#	**5.36**	**100,000**	–	–
Current portion of long-term borrowings:				
– secured bank loans#	**5.93**	**100,000**	6.15~6.95	100,000
		200,000		100,000

(b) The Group's long-term interest-bearing borrowings comprise:

	2015 Interest rate per annum %	**2015 RMB'000**	2014 Interest rate per annum %	2014 RMB'000
Renminbi denominated				
Long-term borrowings:				
– secured bank loans#	**–**	**–**	6.95	100,000

As at 31 December 2015, the Group's bank loans were secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. with a carrying amount of approximately RMB81,020,000 (31 December 2014: RMB105,362,000) (see note 14).

During the year ended 31 December 2015, the Group repaid bank loans with a carrying amount of RMB100,000,000 (2014: RMB110,000,000).

22 BORROWINGS *(continued)*

(c) The Group's borrowings were repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	**200,000**	100,000
After 1 year but within 2 year	**–**	100,000
	200,000	200,000

As at 31 December 2015, the banking facilities of the Group were as follows:

	2015 RMB'000	2014 RMB'000
Secured by:		
Mining right of Laiyuan County Jiheng Mining Co., Ltd. *(noted 22(b))*	**220,000**	220,000
Land and properties of a related party# *(note 30(b))*	**160,000**	–
	380,000	220,000

\# The Land and properties are owned by Beijing Tong Da Guang Yue Trading Co., Ltd (a Company jointly owned by Mr. Li Yanjun).

As at 31 December 2015, the facilities were utilised to the extent of RMB200,000,000 (31 December 2014: RMB200,000,000). None of the above banking facilities of the Group was subject to financial covenants.

23 TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**39,974**	74,388
Receipts in advance	**18,052**	18,753
Payables for construction work, equipment purchase and others	**30,284**	50,588
Other taxes payable	**12,359**	25,665
Amounts due to related parties	**1,780**	–
Others#	**28,366**	25,027
	130,815	194,421

\# Others mainly represent accrued expenses, payables for staff related costs and other deposits.

As at 31 December 2015, all trade payables are due and payable on presentation or within one year. All of the other trade and other payables were expected to be settled within one year or are repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2015 RMB'000	2014 RMB'000
Income tax payable at 1 January	18,839	8,727
Provision for the year *(note 6(a))*	44,711	98,980
Income tax paid	(54,682)	(88,868)
Income tax payable at 31 December	8,868	18,839

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accrued expenses RMB'000	Impairment losses on non-current assets RMB'000	Long-term payables RMB'000	Safety production fund RMB'000	Depreciation and amortisation RMB'000	Accrued reclamation obligations RMB'000	Undistributed profits of subsidiaries in Mainland China RMB'000	Total RMB'000
At 1 January 2014	3,670	1,316	4,124	(2,285)	(104)	1,920	–	8,641
Charged/(credited) to profit or loss *(note 6(a))*	(777)	(1,316)	3,032	1,604	(35)	266	–	2,774
Charged to reserves	–	–	–	–	–	–	(11,718)	(11,718)
At 31 December 2014 and 1 January 2015	2,893	–	7,156	(681)	(139)	2,186	(11,718)	(303)
Charged/(credited) to profit or loss *(note 6(a))*	716	98,409	(4,834)	403	727	480	–	95,901
Credited to reserves	–	–	–	–	–	–	11,718	11,718
At 31 December 2015	3,609	98,409	2,322	(278)	588	2,666	–	107,316

An analysis of deferred tax assets and liabilities recognised in the consolidated statement of financial position for the years presented are as follows:

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognised *(continued)*

(ii) Reconciliation to the consolidated statement of financial position

	2015 RMB'000	2014 RMB'000
Net deferred tax assets	**107,316**	11,415
Net deferred tax liabilities	**–**	(11,718)
	107,316	(303)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(q), the Group has not recognised deferred tax assets in respect of tax losses of RMB164,188,000 as at 31 December 2015 (31 December 2014: RMB82,504,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Included in the total amount of tax losses are RMB125,783,000 (31 December 2014: RMB51,517,000) in relation to Group entities operated in the PRC, for which the tax losses can be carried forward for five years from the year incurred.

The year of expiry of tax losses not recognised is as follows:

	2015 RMB'000	2014 RMB'000
Year of expiry:		
2016	**30,516**	30,516
2017	**12,239**	12,239
2018	**978**	978
2019	**7,784**	7,784
2020	**74,266**	–
	125,783	51,517

(d) Deferred tax liabilities not recognised

As at 31 December 2015, temporary differences in relation to undistributed profits of subsidiaries in Mainland China since 1 January 2008 and up to the public listing of the Company's shares on the Stock Exchange amounted to RMB554,346,000 (31 December 2014: RMB554,346,000). Relevant deferred tax liabilities of RMB27,717,000 (31 December 2014: RMB27,717,000) have not been recognised at the end of the respective reporting periods in respect of the withholding income tax (see note 6(b)) that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

25 LONG-TERM PAYABLES

	2015 RMB'000	2014 RMB'000
Consideration payables for the acquisition of mining rights	**235,671**	231,899
Less: current portion of long-term payables	**5,786**	54,766
	229,885	177,133

In March 2012 and January 2013, the Group acquired the Gufen Mine, Wang'ergou Shuanmazhuang Mine and Zhijiazhuang Mine from Hebei Provincial Department of Land and Resources for considerations of RMB142,330,000 in aggregate and repayable by annual instalments with original payment periods over five to seven years.

In accordance with Ji Guo Tu Zi Han No. [2015]1011 issued on 11 November 2015, Hebei Provincial Department of Land and Resources approved a revised annual instalment schedule in relation to the remaining parts of the above mining right considerable payables and the payment periods were extended to 2022.

The Group's long-term payables were repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	**5,786**	54,766
After 1 year but within 2 years	**43,084**	54,561
After 2 years but within 5 years	**127,188**	112,763
After 5 years	**59,613**	9,809
	235,671	231,899

26 ACCRUED RECLAMATION OBLIGATIONS

	2015 RMB'000	2014 RMB'000
At 1 January	**47,858**	46,793
Additions	**5,706**	–
Accretion expenses *(note 5(a))*	**2,345**	3,065
Utilised during the year	**(424)**	(2,000)
At 31 December	**55,485**	47,858
Less: current portion of accrued reclamation obligations	**6,399**	5,469
	49,086	42,389

26 ACCRUED RECLAMATION OBLIGATIONS *(continued)*

The accrual for reclamation costs has been determined based on management's best estimates. The estimate of the associated costs may be subject to change in the near term when the reclamation on the land from current mining activities becomes apparent in future periods. At the end of the reporting period, the Group reassessed the estimated costs and adjusted the accrued reclamation obligations, where necessary. The Group's management believes that the accrued reclamation obligations at the end of the respective reporting periods are adequate and appropriate. The accrual is based on estimates and therefore, the ultimate liability may exceed or be less than such estimate.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 *(note 27(c))*	Share premium RMB'000 *(note 27(d))*	Exchange reserve RMB'000 *(note 27(d))*	Other reserve RMB'000 *(note 27(d))*	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2014	120	928,309	(5,597)	150,576	(13,121)	1,060,287
Changes in equity for 2014:						
Total comprehensive income for the year	–	–	3,630	–	(14,055)	(10,425)
Balance at 31 December 2014 and 1 January 2015	120	928,309	(1,967)	150,576	(27,176)	1,049,862
Changes in equity for 2015:						
Total comprehensive income for the year	–	–	397	–	(3,566)	(3,169)
Balance at 31 December 2015	120	928,309	(1,570)	150,576	(30,742)	1,046,693

(b) Dividends

The board of directors of the Company does not recommend the payment of a final dividend in respect of the year ended 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital

	2015 and 2014		
	Number of shares	HKD'000	RMB'000 (equivalent)
Ordinary shares, issued and fully paid:			
At 1 January and 31 December	1,507,843,000	151	120

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary courses of business.

(ii) Statutory surplus reserve

In accordance with the relevant PRC laws and regulations and the respective articles of association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate 10% of their profit after taxation reported in their financial statements prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC to the statutory surplus reserve. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the registered capital of the relevant PRC subsidiaries.

The statutory surplus reserves can be utilised to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. However, when converting the statutory surplus reserve of the PRC subsidiaries into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital of the relevant PRC subsidiaries.

(iii) Specific reserve

Pursuant to the relevant PRC regulations, appropriation for safety production and other related expenditures are accrued by the Group at fixed rates based on production volume (the "safety production fund"). The Group is required to make a transfer for the appropriation of safety production fund from retained earnings to a specific reserve. The appropriation for safety production fund may cease if the balance of the specific reserve at the beginning of the year has reached 5% of the revenue of the relevant PRC subsidiaries in the previous year. The safety production fund could be utilised when expenses or capital expenditures on safety production measures are incurred. The amount of safety production fund utilised would be transferred from specific reserve back to retained earnings.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange adjustments arising from the translation of the HKD denominated financial statements to the Group's presentation currency. The reserve is dealt with in accordance with the accounting policy set out in note 2(v).

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserves *(continued)*

(v) Other reserve

The other reserve comprises the following:

- the difference between the net assets of subsidiaries acquired and the consideration paid by the Group in exchange;

- the changes in equity arisen from the acquisition of non-controlling interests; and

- the shareholder's loans waived by the ultimate controlling party.

(e) Distributability of reserves

Pursuant to the Cayman Companies Law, Chapter 22 (2012 Revision, as consolidated and reserved) of the Cayman Islands, share premium of the Company is also a distributable reserve to the shareholders. As at 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB897,567,000 (31 December 2014: RMB901,133,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group defines the capital as total shareholders' equity plus loans and borrowings.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The gearing ratio (calculated as total bank and other borrowings divided by total assets) of the Group as at 31 December 2015 was 9.69% (31 December 2014: 8.47%).

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES MEASUREMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash at banks and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

All of the Group's cash at banks are deposited in the reputable banks which management assessed the credit risk to be insignificant.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally delivers goods to its customers after receiving full payments in advance. Under certain circumstances, a credit period of up to 180 days is granted to customers that have a good track record with the Group and in good credit condition. The Group seeks to maintain tight control over those outstanding balances in order to manage credit risk. Management monitors the balances on a regular basis and takes appropriate actions against overdue balances, if any. Normally, the Group does not obtain collateral from customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES MEASUREMENT *(continued)*

(a) Credit risk *(continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2015, 99.17% (31 December 2014: 99.74%) of trade receivables was due from the Group's five largest customers.

(b) Liquidity risk

The Group has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

		2015 contractual undiscounted cash flow				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Interest-bearing borrowings *(note 22)*	200,000	208,610	208,610	–	–	–
Trade and other payables *(note 23)*	130,815	130,815	130,815	–	–	–
Long-term payables *(note 25)*	235,671	296,863	6,110	48,052	158,303	84,398
Accrued reclamation obligations *(note 26)*	55,485	58,463	6,712	6,000	16,712	29,039
	621,971	694,751	352,247	54,052	175,015	113,437

		2014 contractual undiscounted cash flow				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Interest-bearing borrowings *(note 22)*	200,000	212,441	109,545	102,896	–	–
Trade and other payables *(note 23)*	194,421	194,421	194,421	–	–	–
Long-term payables *(note 25)*	231,899	266,684	56,908	60,052	136,271	13,453
Accrued reclamation obligations *(note 26)*	47,858	64,290	5,827	6,712	17,827	33,924
	674,178	737,836	366,701	169,660	154,098	47,377

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES MEASUREMENT *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from its short-term and long-term borrowings carrying interests at fixed rates exposed the Group to fair value interest rate risk. The Group manages its exposure to interest rate risk by maintaining high proportion of fixed rate borrowings. Details of the interest rates are disclosed in note 22.

(d) Currency risk

The Group is exposed to currency risk primarily through financing activities which give rise to cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The Group's principal business is located in the PRC and the principal operation and transactions are carried out in RMB. Substantially all of the Group's assets and liabilities are denominated in RMB. Since RMB is not freely convertible, there is a risk that Chinese government may take actions to affect the exchange rate exposure, which may affect our net assets, earnings and any dividends it declares if such dividends are translated into foreign currency. The Group had no hedging in respect of the exchange rate risk and have not entered into any derivative instruments to manage foreign exchange fluctuations. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of the reporting period.

	2015		2014	
	USD'000	**RMB'000**	USD'000	RMB'000
Cash and cash equivalents	**1,837**	**21,205**	674	117,846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES MEASUREMENT *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remain constant.

	2015			2014		
	Increase/ (decrease) exchange rates %	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) exchange rates %	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
United States dollars	5	92	–	5	34	–
	(5)	(92)	–	(5)	(34)	–
Renminbi	5	1060	(1060)	5	5,892	(5,892)
	(5)	(1060)	1060	(5)	(5,892)	5,892

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities.
- Level 2: valuation is based on inputs (other than quoted prices included within Level 1) that are observable for the financial asset or liability, either directly or indirectly.
- Level 3: valuations is based on unobservable inputs.

At the end of the reporting period, none of the Group's financial assets or liabilities were measured at fair value (on a recurring or non-recurring basis) in the consolidated statement of financial position across the three levels of the fair value hierarchy as defined in IFRS 13, *Fair value measurement.* Neither were there any transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the year ended 31 December 2015 (2014: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES MEASUREMENT *(continued)*

(e) Fair value measurement *(continued)*

(ii) Fair value of financial assets and liabilities carried at other than fair value

All of the Group's financial assets and liabilities are initially recognised at the fair value of consideration paid or received and subsequently carried at amortised costs, as appropriate.

The financial assets and liabilities are presented by class in the tables below at their carrying amounts, which generally approximate to fair values except for long-term receivables and borrowings as indicated below.

	2015			2014		
	Loans and receivables RMB'000	Other financial assets and liabilities at amortised costs RMB'000	Total RMB'000	Loans and receivables RMB'000	Other financial assets and liabilities at amortised costs RMB'000	Total RMB'000
Cash and cash equivalents *(note (a))*	59,495	–	59,495	167,431	–	167,431
Trade and other receivables *(noted (b))*	209,520	–	209,520	152,137	–	152,137
Long-term receivables *(note (a))*	40,960	–	40,960	33,960	–	33,960
Trade and other payables *(note (b))*	–	(130,815)	(130,815)	–	(194,421)	(194,421)
Borrowings *(note (a))*	–	(200,000)	(200,000)	–	(200,000)	(200,000)
Total financial assets/(liabilities)	309,975	(330,815)	(20,840)	353,528	(394,421)	(40,893)
Non-financial assets/(liabilities)	1,754,868	(300,024)	1,454,844	2,008,468	(310,314)	1,698,154
Total assets/(liabilities)	2,064,843	(630,839)	1,434,004	2,361,996	(704,735)	1,657,261

Notes:

(a) The fair values of the Group's cash and cash equivalents, long-term receivables and borrowings approximate their carrying amounts as a result of their short maturity or because they carry floating rates of interest.

(b) The carrying amounts of trade and other receivables and trade and other payables are a reasonable approximation of their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments outstanding at 31 December 2015 not provided for in the financial statements were as follows:

	2015 RMB'000	2014 RMB'000
Contracted for		
– property, plant and equipment	3,168	7,782
Authorised but not contracted for		
– property, plant and equipment	–	25,646
– stripping activity asset	–	88,917
– exploration and evaluation asset	–	–
	–	114,563
	3,168	122,345

(b) At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	3,827	3,990
After 1 year but within 5 years	–	3,789
	3,827	7,779

The Group leases certain buildings through operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the agreements contain escalation provisions that may require higher future rental payments.

29 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Environmental contingencies

To date, the Group has not incurred any significant expenditure for environment remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include:

(i) the exact nature and extent of the contamination at the mines and processing plants;

(ii) the extent of required clean-up efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed for future environmental legislation cannot be reasonably estimated at present and could be material.

(d) Governmental and regulatory levies

The Group is subject to certain levies (mineral resources compensation, water and soil loss compensation and pollutant discharge fee, etc.) imposed by relevant government authorities in accordance with relevant PRC laws and regulations. Under such laws and regulations, the Group has fully fulfilled their responsibilities in paying the respective levies during the years presented. The directors are of the opinion that the Group had no other material obligations or liabilities of such levies at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries, allowances and benefits in kind	7,239	8,703
Discretionary bonus	–	288
Retirement scheme contributions	132	233
	7,371	9,224

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Other related party transactions

During the years presented, the Group entered into transactions with the following related parties.

Name of party	Relationship
Hebei Aowei Industrial Group Co., Ltd.	A company ultimately owned by Mr. Li Yanjun
Aowei International Development Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Leung Hongying Li Ziwei
Hengshi Holdings Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Leung Hongying Li Ziwei
Hengshi International Investments Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Leung Hongying Li Ziwei
Beijing Tong Da Guang Yue Trading Co., Ltd.	A company jointly owned by Mr. Li Yanjun

Particulars of significant transactions between the Group and the above related parties during the years presented are as follows:

	2015 RMB'000	2014 RMB'000
Property leasing charges *(note (i))*	1,900	1,729
Advances paid to related parties *(note (ii))*	433	–

30 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Other related party transactions *(continued)*

The outstanding balances arising from the above transactions at the end of the reporting period are as follows:

	2015 RMB'000	2014 RMB'000
Amounts due to related parties *(note (i))*	**1,780**	–
Amounts due from related parties *(note (ii))*	**3**	–

Notes:

(i) Property leasing charges represent office rental paid and payable to Hebei Aowei Industrial Group Co., Ltd..

(ii) Advances to related parties represent payments made on behalf of Hengshi Holdings Limited, Aowei International Development Limited and Hengshi International Investments Limited, respectively. The amounts are unsecured, interest free and have no fixed terms of repayment.

(iii) On 15 December 2015, the Group entered into a bank facility agreement with the aggregate amount of RMB160.0 million, including bank loan facilities of RMB110.0 million and bank acceptance bill facilities of RMB50.0 million, respectively. The bank facility agreement has a term of 12 months from the date of drawdown and is guaranteed by Laiyuan County Aowei Mining Investments Co., Ltd., Laiyuan County Jingyuancheng Mining Co., Ltd. and Laiyuan Xinxin Mining Co., Ltd., as well as the lands and properties of Beijing Tong Da Guang Yue Trading Co., Ltd. (a company jointly owned by Mr. Li Yanjun).

The directors of the Company are of the opinion that the above transactions between the Group and the related parties were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

(c) Commitments with related parties

Pursuant to the property leasing agreement entered into by the Company and Hebei Aowei Industrial Group Co., Ltd., the Company rents properties from Hebei Aowei Industrial Group Co., Ltd. as office premises for the years ended 31 December 2014 and 2015 and the year ending 31 December 2016.

As at the end of the respective reporting periods, the estimated total future minimum lease payments to Hebei Aowei Industrial Group Co., Ltd. under non-cancellable operating leases were payable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	**1,950**	1,900
After 1 year but within 5 years	**–**	1,950
	1,950	3,850

(d) Applicability of the Listing Rules relating to connected transactions

Certain related party transactions in respect of note 30(b) and (c) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected Transactions and Continuing Connected Transactions" of the Reports of the Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2015 RMB'000	31 December 2014 RMB'000
Non-current assets		
Investment in a subsidiary	**150,576**	150,576
Total non-current assets	**150,576**	150,576
Current assets		
Other receivables	**866,689**	783,071
Cash and cash equivalents	**30,437**	119,521
Total current assets	**897,126**	902,592
Current liabilities		
Other payables	**1,009**	3,306
Total current liabilities	**1,009**	3,306
Net current assets	**896,117**	899,286
Total assets less current liabilities	**1,046,693**	1,049,862
NET ASSETS	**1,046,693**	1,049,862
CAPITAL AND RESERVES		
Share capital *(note 27(c))*	**120**	120
Reserves *(note 27(a))*	**1,046,573**	1,049,742
TOTAL EQUITY	**1,046,693**	1,049,862

Approved and authorised for issue by the board of directors on 30 March 2016.

Li Yanjun
Chairman and Executive Director

Leung Hongying Li Ziwei
Vice Chairman and Executive Director

(Expressed in Renminbi unless otherwise indicated)

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2015, the directors considered the immediate parent and ultimate controlling party of the Group to be Hengshi International Investments Limited and Mr. Li Yanjun and Mr. Leung Hongying Li Ziwei, respectively. Hengshi International Investments Limited does not produce financial statements available for public use.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These included the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to IAS 1, *Disclosure initiative*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

34 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 15 December 2015, the Group entered into a bank facility agreement with the amount of RMB160.0 million (see note 30(b)). In January 2016, such bank facilities were drawdown in full by the Group.