滙力集團
HUILI GROUP

Huili Resources (Group) Limited
滙力資源(集團)有限公司

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

2015
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Dayong *(Chairman)*
Mr. Lu Qi
Mr. Sun Zhong
Mr. Shou Xuancheng
Mr. Xu Zucheng
Ms. Wang Qian

Independent Non-Executive Directors

Mr. Cao Shiping
Mr. Cao Kuangyu
Mr. Song Shaohuan

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Wang Dayong
Mr. Ip Wing Wai

COMPANY SECRETARY

Mr. Ip Wing Wai

INDEPENDENT AUDITOR

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

LEGAL ADVISERS

as to Hong Kong law
Michael Li & Co

as to PRC law
Global Law Office

as to Cayman Islands law
Conyers Dill & Pearman

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

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

COMPANY WEBSITE

www.huili.hk

STOCK CODE

1303

GROUP STRUCTURE

滙力集團
HUILI GROUP

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

- 100% — **Right Source International Ltd**
  - 55% — **Realty Investment (Group) Ltd**
- 100% — **Fortune In Investment Ltd**
  - 45% — **Realty Investment (Group) Ltd**

Realty Investment (Group) Ltd

- 95% — **Hami Jinhua Mineral Resource Exploiture Ltd*** (Hami Jinhua Concentrator, Project Baiganhu)
  - 100% — **Hami Jiatai Mineral Resource Exploiture Ltd*** (Hami Jiatai Concentrator, Project No. 20, Project Baiganhu Gold, Project H-989, Project Heishan)

* For identification purposes only

MINES INFORMATION

MINERAL RESOURCES AS OF 31 DECEMBER 2015

Project name	Classification	Quantity (kt)	Ni Grade (%)	Cu Grade (%)	Ni metal (t)	Cu metal (t)
Project No. 20	Measured	—	—	—	—	—
	Indicated	1,330	0.71	0.24	9,430	3,150
	Inferred	1,260	0.69	0.25	8,660	3,160
	Sub-total	2,590	0.70	0.24	18,090	6,310
Project H-989	Measured	—	—	—	—	—
	Indicated	3,390	0.49	0.23	16,540	7,750
	Inferred	2,370	0.51	0.19	12,100	4,390
	Sub-total	5,760	0.50	0.21	28,640	12,140
Grand total	Measured	—	—	—	—	—
	Indicated	4,720	0.55	0.23	25,970	10,900
	Inferred	3,630	0.57	0.21	20,760	7,550
	Total	8,350	0.56	0.22	46,730	18,450

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

ORE RESERVES AS OF 31 DECEMBER 2015

Project name	Reserve classification	Ore Quantity (kt)	Ni Grade (%)	Cu Grade (%)	Ni metal (t)	Cu metal (t)
Project No. 20	Proved	—	—	—	—	—
	Probable	1,099	0.64	0.21	7,071	2,362

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

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

MINES INFORMATION (CONTINUED)

EXPLORATION PERMITS

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

MINING PERMITS

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

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

CAPITAL EXPENDITURE AND EXPLORATION EXPENSES

The Group did not carry out any production during the year ended 31 December 2015 and 31 December 2014.

For the year ended 31 December 2015 and 31 December 2014, capital expenditure for the development and mining activities which mainly represented construction of mining structure and explosive storage of the mines were approximately RMB1.3 million and approximately RMB5.5 million respectively.

For the year ended 31 December 2015 and 31 December 2014, no exploration expenses were charged to the statement of comprehensive income (2014: RMB0.3 million).

CHAIRMAN STATEMENT

Dear shareholders,

2015 was another challenging year for the Company. The overall price of bulk commodity has suffered a persistent downtrend and the whole nonferrous metal market is sluggish due to combined impact of macroeconomic conditions and slowdown of consumption. Under such unfavorable environment during 2015, the Company has strategically deferred its mining and exploration activities. As such, no production was carried out in the previous year.

Nevertheless, the downturn in the industry has provided a good timing to acquire natural resources and the Company has actively explored potential acquisition opportunities with promising return in order to broaden and diversify the return for the Company and the shareholders as a whole. Taking advantage of the exposure in China, mining expertise accumulated and industrial cycle, the Company has continuously endeavored to expend its resource and reserve base, either through capital expense in exploration or acquisition, in order to maintain its competitive edges and improve competitiveness. The Company will try to take advantage of the industrial downturn and facilitate possible acquisition opportunities.

The Company expects that the adverse conditions in the nonferrous metal market will prevail for the immediate future. In the face of these acute industrial challenges and great market uncertainties involved, the Company has focused its efforts on restructuring local operating organizations. The Company considers the spin-off of business which involves great uncertainty and requires more capital expense to be necessary in order to streamline the operating structure of the Group and enhance return for the Company and shareholders as a whole.

With the funding from the open offer of 500,000,000 shares in September 2015, the disposal proceeds from Shanxi Jiahe Mineral Exploitation Limited and other possible financing alternatives, the Company believes it could have enough financial resources to finance its operation and potential acquisition opportunities.

I, on behalf of the Board would like to extend my sincere appreciation to my fellow directors, management and all of my colleagues for their hard work, dedication, and commitment in delivering our strategy in the face of challenging market conditions. For myself and on behalf of the Board, I would like to express our heartfelt gratitude to our shareholders, customers, suppliers, bankers and business associates for their continuous support throughout 2015.

The group is taking a number of strategic initiatives which, I believe, will provide us with a platform to better withstand market risks and achieve sustainable growth. I look forward to the continuous support from our stakeholders as we bring these initiatives to fruition.

Wang Dayong
Chairman

29 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Company's subsidiaries, Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua") and Hami Jiatai Mineral Resource Exploiture Limited ("Hami Jiatai"), own two mining permits and three exploration permits in Xinjiang. In 2015, the prices of copper, nickel, zinc and lead dropped further or fluctuated at relatively low levels, compared to those in 2014. Due to the recent depression of commodity market coupled with the external sophisticated requirements in the PRC, the Company has strategically deferred its mining and exploration activities during the year of 2015. The downturn in the industry however provides a good timing to acquire natural resources and the Company has actively explored acquisition opportunities with promising return in order to expand and diversify its businesses and to enhance the investment return of the Group and the shareholders as a whole.

To strengthen the financial position of the Company and to increase its available financial resources for the possible business opportunities, the Company has completed the Open Offer (as defined below) involving issue of 500,000,000 offer shares in September 2015. The total net proceeds would be applied for general working capital and possible acquisition(s) opportunities.

On 3 December 2015 the Company entered into a non-binding Memorandum of Terms (the "Memorandum") in relation to a possible acquisition of the target group which is principally engaged in exploration, development, production and sale of the coalbed methane (oil and gas) in Shanxi province, the PRC. The target group has a profitable business and presents a mature project in natural gas sector. The possible acquisition could diversify the Group's revenue while generating steady cash flows and profit returns to the Group and it is in accordance with the Company's development strategy.

Mining Permits

Hami Jiatai and Hami Jinhua hold two mining permits, namely No. 20 Mine and Baiganhu Mine respectively. No. 20 Mine produces copper and nickel ore. Further exploration and study of the deep ore deposit on the west of Shaft 6 are being considered. To meet new requirements of safety production, No. 20 Mine is to upgrade its lifting system before the production relaunch. Baiganhu Mine produces lead and zinc ore. Further exploration and study of ore bodies are being considered. It is setting up the underground production systems and facilities for safety production before the production initiation.

Exploration Permits

Hami Jiatai holds three exploration permits in Xinjiang namely Baiganhu Gold, H-989 and Heishan, with minerals covering gold, nickel and copper. Preliminary exploration and/or drilling plans for such tenements is being considered. Hami Jiatai had conducted some exploration at Baiganhu Gold tenement, and identified the preliminary mineralization band and the ore deposit. Subject to the market condition, the Company will devote reasonable resources to carry out further exploration in order to enrich the resources base.

Ore Processing Plants

Hami Jiatai operates a copper-nickel ore processing plant and Hami Jinhua owns a lead-zinc ore processing plant. Both plants are used to treat ore extracted from the deposits, and adopt a non-conventional flotation circuit. The throughput capacity of both plants is 1,500 tpd. Nickel, copper, lead and zinc concentrates are separated and recovered from bulk concentrate for sale. During the year of 2015, Hami Jiatai and Hami Jinhua did not carry out any mining and processing activities.

Disposal and Acquisition

To overcome the external adverse industrial environment, the Company has completed the disposal of Shaanxi Jiahe Mining Exploitation Limited ("Shaanxi Jiahe") as announced on 18 December 2015. It is in the interest of the Company and shareholders as a whole to spin-off the business which needs intensive capital investment and involves great uncertainty. The net proceeds from this disposal would be used for the general working capital and acquisition purpose when opportunity materializes.

To further implement the Company's developing strategy, on 12 February 2016, the Company entered into a sale and purchase agreement to conditionally purchase the entire issued share capital of Jia Zhao Ventures Limited which is principally engaged in finance leasing business whose major customers are/will be mainly energy related operators in the PRC. The acquisition will create synergy effect with the natural gas and oil project which the Company proposed to acquire and also enhance the return for the Company and the shareholders as a whole.

RESULTS REVIEW

Revenue and gross loss

For the year ended 31 December 2015, the Group carried out silicon coal trading (2014: nickel concentrate and lead and zinc ore) and recorded revenue of RMB3.2 million (2014:RMB3.5 million). Cost of sales of RMB33.5 million (2014: RMB25 million) represented mainly impairment charges, depreciation charges, staff cost of the mines under operation and cost of inventories sold. Gross loss for the year amounted to RMB30.3 million (2014: RMB21.5 million).

During the year, mining activities of Hami Jiatai was further postponed due to the prolonged depression of commodity market and one of the mines was involved in consolidation program of the government, the mining permit expired and there is uncertainty in the permit renewal. In this connection, the Company has engaged an independent valuer carried out a review of the recoverable amount of its assets including the mining rights, land use rights, properties, plants and equipments.

The recoverable amount is determined based on the value-in-use calculation using cash flow projections, based on financial budgets approved by management covering a five year period and management's assumptions and estimates including forecast of selling price of nickel, copper, discount rates, time to restart production and inflation rate on the cash generating unit for the segment of Hami Jiatai. The key assumptions and parameters taken into account in the valuation mainly include:

- The discount rate used in measuring value-in-use was 19.0% (2014: 18.9%), which is pre-tax and reflects the specific risk relating to the business;
- The price of nickel/copper used is derived from the forecast of Bloomberg;
- The production is expected to restart in 2017;
- 3% (2014: 3%) is adopted as inflation rate.

There was no material change in the valuation methodology adopted during the year. Further details of changes in key assumptions and parameters adopted in the valuation as compared to those in previous year has been disclosed in notes 6 and 7 to the consolidated financial statements.

Based on the above review, impairment losses on mining structure and mining rights of Hami Jiatai of approximately RMB5.5 million (2014:RMB3.1 million) and approximately RMB19.5 million (2014:RMB10.9 million) respectively were recognised in the income statement for the year ended 31 December 2015.

Administrative expenses

Administrative expenses for the year amounted to RMB60.3 million (2014: RMB47.5 million). They included mainly depreciation charges, consulting fees, staff costs, office overheads, and doubtful debt provision for other receivables of approximately RMB41.1 million (2014: RMB25 million) for the year ended 31 December 2015. Doubtful debt provision for other receivables represented mainly the amount due from Shaanxi Jiatai Hengrun Mineral Resource Exploiture Limited ("Shaanxi Jiatai") in relation to deposit payment for acquisition of Shaanxi Jiarun Mining Exploiture Limited lapsed in 2013 and the amount due from Mr. Wei Xing in relation to earnest money paid for possible acquisition of gold mines and mining processing plants in the Republic of Ghana.

As at the date of these financial statements, Shaanxi Jiatai and Mr. Wei Xing have not yet repaid the balances in spite of the Company's considerable effort to procure its refund since these acquisitions lapsed. Considering that the aging of the receivables are more than one year, recoverability of these receivables remained doubtful and therefore provision was made as at 31 December 2015.

Other (losses)/gains – net

Other losses for the year mainly represented the losses on disposal of property, plant and equipment of approximately RMB2.2 million (2014: nil) netting off against the gains on disposal of Shaanxi Jaihe of approximately RMB1.2 million (2014: nil) and fair value gains of approximately RMB0.7 million (2014:RMB18.4 million) on the convertible bonds.

Finance costs – net

The Group recorded interest expense of approximately RMB15.9 million on convertible bonds (2014: RMB13.5 million) and interest income of RMB0.4 million (2014: RMB1.2 million). The Group also recognised foreign exchange gains of RMB3.3 million (2014: RMB0.2 million) for the year ended 31 December 2015.

Income tax expense/(credit)

Income expense for the year was approximately RMB0.6 million (2014: income tax credit of RMB6.3 million), representing deferred taxation arising from impairment, depreciation and provisions.

Loss attributable to the equity holders of the Company

Loss attributable to equity holders of the Company for the year was approximately RMB101.8 million which was primarily due to the result of impairment charges on certain assets, mining rights and doubtful debt provision for other receivables aggregating approximately RMB66.2 million (2014: RMB39 million) as compared to a loss of RMB54.5 million in the corresponding period in 2014.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Possible acquisition for gold mines in South Africa

On 12 February 2015, the Company entered into a non-binding memorandum of understanding (the "MOU") with Central Rand Gold Limited, a company listed on the London Stock Exchange (stock code: CRND), in relation to a possible acquisition of 74% interests in an operational gold mining company located in South Africa. Details of the above have been disclosed in the Company's announcement dated 12 February 2015. The MOU lapsed during the year.

Possible acquisition for oil and gas business in the PRC

On 3 December 2015, the Company, Million Giant International Limited, Merit Progress Investments Limited and Proven Bravo Limited (collectively the "Vendors") entered into the Memorandum pursuant to which the Company or its subsidiary intended to acquire the entire issued share capital of China Grand Vision Holdings Limited, which is principally engaged in exploration, development, production and sale of the coalbed methane (oil and gas) in Shanxi Province, the PRC, at a total consideration of up to US$150 million (equivalent to about HK$1,170 million) payable as to: (i) US$100 million in cash (including debt securities, if applicable); and (ii) the remaining consideration of up to US$50 million by the allotment and issue of up to 600 million consideration shares at the issue price of HK$0.65 per consideration share upon completion of acquisition. Details of the above have been disclosed in the Company's announcement dated 3 December 2015. The Company has paid US$25 million on 14 December 2015 as earnest money for such possible acquisition under the Memorandum . On 29 March 2016, the Company entered the supplemental memorandum with the Vendors pursuant to which the target company under the Memorandum has been changed to China Green Energy Investment Limited (due to group restructuring by the Vendors) and the long stop date of the Memorandum has been extended to 30 April 2016. No formal agreement in respect of the above acquisition has been made as at the date of these financial statements.

Disposal of a subsidiary which owns gold mines in Shaanxi

On 18 December 2015, the Group and Xiao Yi Da Jie Shan Coal Company Limited ("Xiao Yi Da Jie Shan"), an independent third party, entered into the disposal agreement, pursuant to which the Group has agreed to sell and Xiao Yi Da Jie Shan has agreed to purchase: (i) the entire registered capital of Shaanxi Jiahe for a cash consideration of RMB48 million (equivalent to approximately HK$58.5 million); and (ii) the entire debts due by Shaanxi Jiahe to the Group for a cash consideration of RMB9.4 million (equivalent to approximately HK$11.5 million). Such disposal has been completed on 18 December 2015 and a gain on disposal of approximately RMB1.2 million has been recognized in the income statement during the year. Details of the above have been disclosed in the Company's announcement dated 18 December 2015.

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

OPEN OFFER

On 12 August 2015, the Company proposed to raise HK$250 million (before expenses) by way of the open offer (the "Open Offer") involving the issue of 500 million offer shares at the subscription price of HK$0.50 per offer share on the basis of one offer share for every two shares in issue held on the record date and payable in full on application.

The gross proceeds of the Open Offer (before expenses) are HK$250 million. The net proceeds of the Open Offer (after deducting the costs and expenses in relation to the open offer and the underwriting commission fees) were approximately HK$246 million (equivalent to HK$0.492 per offer share). The Company intended to apply the net proceeds from the Open Offer in the following way: (i) approximately 80% of the net proceeds for general working capital to strengthen the Company's financial position; and (ii) the remaining of approximately 20% of the net proceeds for potential acquisition(s) of natural gas businesses when opportunities arise.

The Open Offer became unconditional on 18 September 2015. A total of 32 valid applications in respect of a total of 1,261,393,848 offer shares were received. 500 million offer shares were issued on 25 September 2015. Further details of the Open Offer were set out in the announcements dated 12 August 2015 and 24 September 2015 and the prospectus dated 2 September 2015.

As at the date of these financial statements, the net proceeds from the Open Offer have been applied in the following ways: (i) HK$74.7 million for repayment of principal for convertible bonds as stated below and interest payable for convertible bonds of approximately HK$0.5 million; (ii) approximately HK$121 million for payment of part of earnest money for possible acquisition for oil and gas business in the PRC under the Memorandum as stated above; and (iii) approximately HK$16 million used for other general working capital purpose. All unused net proceeds were and are placed in short term deposits with licensed banks in Hong Kong.

LIQUIDITY AND FINANCIAL REVIEW

The Group financed its day to day operations by internally generated cash flows and the Open Offer during the year. Primary uses of funds during the year included payment of operating expenses, purchase of property, plant and equipment and payment for earnest money for possible acquisition for oil and gas business in the PRC under the Memorandum as stated above.

As at 31 December 2015, current assets of approximately RMB171.2 million (2014: RMB130.8 million) were comprised of inventories of RMB6.5 million, trade receivables of RMB3.7 million, other receivables and prepayments of RMB57.6 million and cash and cash equivalents of RMB103.4 million. Current liabilities of approximately RMB79.7 million (2014: RMB120 million) were mainly comprised of trade payables of RMB2.5 million, other payables and accruals of RMB14.3 million, income tax payable of RMB0.3 million and convertible bonds of RMB62.6 million. Current ratios, being total current assets to total current liabilities, were 2.15 as at 31 December 2015 (2014: 1.1).

As at 31 December 2015, there was no outstanding interest-bearing bank loan (2014: Nil).

As at 31 December 2015, the carrying amount of the liability component of the Company's convertible bonds, which matured on 19 December 2015 and bear interest at 2% per annum payable semiannually, was approximately RMB62.6 million (2014: RMB84.5 million). Pursuant to the terms and conditions of the convertible bonds, as a result of the Open Offer, the conversion price of the outstanding convertible bonds was adjusted from the initial conversion price of HK$2.15 per conversion share to HK$1.725 per conversion share during the year. On the maturity date of the convertible bonds, the bond holder and the Company signed an agreement, pursuant to which, the Company would repay HK$74.7 million (equivalent to RMB62.6 million) within 30 days of such agreement and repayment of remaining balance of HKD50 million (equivalent to RMB41.9 million) would be rescheduled as a two-year loan with 10% annual interest. In January 2016, outstanding amount of HK$74.7 million (equivalent to RMB62.6 million) was settled by the Company.

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

GEARING RATIO

Gearing ratio of the Group is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 31 December 2015, the gearing ratio was 0.24% (2014: 3.07%).

NON-COMPETITION UNDERTAKING

According to the Prospectus, Mr. Lu Qi (the former controlling shareholder of the Company) and Mr. Wang Dayong (the controlling shareholder of the Company) have under the Non-Competition Agreement undertaken not to compete with the Company in its core business. Each of Mr. Lu and Mr. Wang has also undertaken to provide an annual confirmation to the Company confirming that he and his associates have not breached the terms of the non-competition undertaking and to provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the non-competition deed. Details of the undertaking have been disclosed in the "Relationship With Our Controlling Shareholders" section in the Prospectus. Each of Mr. Lu and Mr. Wang has provided the annual confirmation to the Company confirming that he and his associates have not breached the terms of the non-competition undertaking for the year ended 31 December 2015. The independent non-executive Directors have also enquired Mr. Lu and Mr. Wang in the board meeting on 29 March 2016 for the purpose of considering and approving the financial statements for the year ended 31 December 2015.

CHARGES ON COMPANY'S ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2015, the Group had no contracted capital expenditure (2014: nil).

As at 31 December 2015, the future aggregate minimum lease payments under non-cancellable operating leases of various offices was approximately RMB1.8 million (2014: RMB3.8 million).

As at 31 December 2015, the Group had no investment commitments (2014: Nil).

There were no other charges on the Company's assets as at 31 December 2015 (2014: Nil).

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

Save as disclosed above, as at 31 December 2015, the Group had no material contingent liability (2014: nil).

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2015, the Group employed 37 employees. The total staff costs (including directors' emoluments) for the year were approximately RMB9 million (2014: RMB12.8 million). The salaries of employees largely depend on their job nature, performance and length of service with the Group. The directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group. In addition to the basic remuneration, the Group also provides employees with employees benefits, including pension, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-job training, the Group provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop. Directors and employees, among others, are entitled to participate in the share option scheme at the discretion of the board. No share option was granted and outstanding as at 31 December 2015.

FUTURE OUTLOOK

The demand for basic metals in China slowed down in recent years. Such status evolved further in 2015. The producers struggled to survive and many of them postponed their production activities in order to survive the downturns. Though uncertainty and the structural factors remain with global economy, the Company believes the fundamental demand for basic metals is still solid.

For the Company, other than continuously carry out further exploration and study of current mines and tenements in order to extend the mine service lives and preserve the value of the assets, the Company will be actively seeking and facilitating the completion of possible acquisition opportunities to broaden the revenue sources, diversify existing business, and enhance investment return for the Company and to create value to all the shareholders. The Company sees that the industrial downturn provides a good timing to acquire more natural resources, leveraging the Company's competitive advantages of geologic and exploration expertise, ore extracting and processing experience, business network in natural resource sector, and fundraising access. The Company will continue to invest in its existing mining and exploration projects, as well as facilitate the possible acquisition targets and seek for other potential acquisition opportunities.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Dayong (王大勇)

Mr. Wang, aged 49, is an executive director and the Chairman of the Company. Mr. Wang joined the Group in January 2008. He graduated from the University of Nanjing (南京大學) with a Bachelor degree in Economics. He also holds a Master degree in Commerce and Economics major in Money and Banking from Graduate University of Chinese Academy of Social Sciences (中國社會科學院研究生院) and a Doctor of Economics from the Business School of Jilin University (吉林大學).With over 20 years' experience in investment, finance and management, Mr. Wang is familiar with corporate merger and acquisition and direct investment. He has comprehensive and in-depth knowledge of coal, coal chemical, metal mineral resources industries and maintains strong networks in business field and with central and local government agencies in the PRC.

During July 1988 to December 1998, Mr. Wang had been worked with the China State Farm Agribusiness Group Corp. (中國農墾集團總公司), the PRC. During the period from November 2003 to December 2008, Mr. Wang served as a managing director of China Coal and Coke Investment Fund L.P. (the "Partnership") and China Coal and Coke Investment Holding Company Limited. He was in charge of the foundation of the Partnership which was established on 4 February 2005. His main responsibilities included investment structuring, strategic development and investors relationship. Mr. Wang involved in the investment in Fortune Dragon Group Limited ("Fortune Dragon"), a company with major investment in coking coal mine operations in Shanxi, the PRC. The Partnership exited its investment in Fortune Dragon in July 2008 with satisfactory return on investment. He was an executive director and CEO of E-Life International Limited (Stock Code: 370) (now known as "China Best Group Holding Limited"), from September 2004 to June 2007. During the period from January 2005 to August 2008, Mr. Wang served as a director and chief executive officer of Fortune Dragon. During his tenure with Fortune Dragon, Mr. Wang was responsible for the strategic financing, direct investment and merger and acquisition. Mr. Wang successfully procured a fund raising exercise of USD160 million through an international bank for the investment of three coking coal mines in Shanxi in March 2006. Such three coking coal mines were subsequently sold to Shougang Fushan Resources Group Limited ("Shougang Fushan") (Stock Code: 639) at the consideration of HK$10.53 billion in July 2008. Mr. Wang was also an executive director of King Stone Energy Group Limited ("King Stone Energy") (Stock Code: 663) from July 2009 to January 2013 and AID Partners Capital Holdings Limited (Stock code: 8088) from October 2014 to June 2015. Mr. Wang has also been the independent non-executive director of Up Energy Development Group Limited (Stock code: 307) since March 2016.

Mr. Wang was appointed as an executive director on 19 February 2010.

Mr. Lu Qi (盧琦)

Mr. Lu, aged 53, is an executive director. Mr. Lu joined the Group in April 2009. He graduated from the Northeastern University of Technology (東北工學院) (now known as Northeastern University (東北大學) with a Bachelor degree in Engineering. From July 1986 to April 1989, Mr. Lu was served as the assistant engineer in the electromechanical engineering department of Dalian Refractory Material Co., Ltd. (大連耐火材料廠). For the period from April 1989 to May 2001, Mr. Lu served in various positions of Mabuchi Motor (Dalian) Ltd. (萬寶至馬達(大連)有限公司). During the tenure, he was first in the position of the material engineer and was mainly responsible for mechanical processing, electronic testing and ultrasonic cleaning of magnet manufacturing. Mr. Lu was then promoted to the team leader of one engineering team, he was responsible for the heating process of magnet manufacturing. He was promoted to the leader of the workshop and was responsible for the technical management of the workshop. Mr. Lu migrated to Canada in 2002. From 2004 to February 2007, Mr. Lu worked as a quality control assembly operator in Cam-Slide Manufacturing New market. Since 2006, Mr. Lu has been returning to the PRC and exploring business and investment opportunities.

Mr. Lu was appointed as an executive director on 16 December 2011.

Mr. Sun Zhong (孫忠)

Mr. Sun, aged 53, is an executive director. He joined the Group in February 2013. Mr. Sun holds a Doctoral Degree in Management and a Master's Degree in Engineering Management from Huazhong University of Science and Technology (華中科技大學) (formerly known as Central China University of Science and Technology (華中理工大學)). He also holds a Bachelor's Degree in Coal Mine Electrical Automation from Shandong University of Science and Technology (山東科技大學) (formerly known as Shandong Mining College (山東礦業學院)).

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

Mr. Sun was appointed as an executive director on 25 February 2013.

Mr. Shou Xuancheng (壽鉉成)

Mr. Shou, aged 66, is an executive director. He joined the Group as vice president of the Company in July 2014. He holds a Master Degree in Petroleum Engineering Management and a Doctor Degree in Petroleum Reservoir Management from China University of Petroleum. He held senior positions in group of companies in China National Petroleum Corporation from 1985 to 2004 and has over 44 years' experience in oil and gas industry. He was the secretary to the board of PetroChina Company Limited ("PetroChina")(stock code: 857) from September 1999 to August 2001 and the chief executive officer of PetroChina International Co., Ltd., a wholly owned subsidiary of PetroChina, from September 2001 to December 2004. He was also the vice chairman and executive director of CITIC Resources Holdings Limited ("CITIC Resources") (stock code: 1205) from September 2005 to October 2009 and has been an independent non-executive director of CITIC Resources since July 2014. He was also the senior vice president of MIE Holdings Corporation (stock code: 1555) till July 2014.

He was appointed as a non-executive director on 8 September 2015 and was re-designated from a non-executive director to an executive director on 17 November 2015.

Mr. Xu Zucheng (徐祖成)

Mr. Xu, aged 63, is an executive director. He joined the Group in November 2015. He graduated from the Geological Department of Northwest University, the PRC, in 1976. Mr. Xu served as Deputy Chief Geologist in PetroChina Coalbed Methane Company Limited since 2008. Prior to the aforesaid position, Mr. Xu worked for the Shaanxi Bureau of Geology and Mineral Resources, the Daqing Oilfield Institute and the Secretariat Office of the Ministry of Petroleum. He was also the Head of Reserve and Mining Right Divisions of PetroChina Exploration & Production Company. Mr. Xu has substantial experience in oil and gas exploration and mining right management. He was also awarded the second prize of Science and Technology of the Ministry of Land and Resources. Mr. Xu was the executive director of Sino Oil and Gas Holdings Limited (stock code: 702) from March 2012 to June 2013.

Mr. Xu was appointed as an executive director on 17 November 2015.

Ms. Wang Qian (王茜)

Ms. Wang, aged 40, is an executive director. She joined the Group in January 2016. She has over 15 years of experience in finance, investment and management area. From October 2001 to June 2002, Ms. Wang was employed by PricewaterhouseCoopers Consulting, a company principally engaged in the provision of management consulting services, where she served as a consultant and was primarily responsible for enterprise strategy and financial management consultation. Ms. Wang successively acted as a senior manager of the finance strategy & business development department at the US headquarters of Goodyear Tire & Rubber Company and the Asia-Pacific region Finance Director of Goodyear Engineered Products Company from July 2004 to March 2009, Goodyear's principal business is manufacturing tires and rubber products, where she was primarily in charge of mergers and acquisitions, and annual operation planning, as well as organizing and supervising the financial activities for Asia Pacific region, After Goodyear Engineered Products Company was acquired by The Carlyle Group, Ms. Wang had led several acquisitions and restructuring projects. Since March 2009, Ms. Wang has served as the president of HIXIH Investment, a company principally engaged in the business of equity and securities investment, and Ms. Wang is primarily responsible for company management and investment business, She has accomplished and participated in several IPOs in New York Stock Exchange, The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange for companies in finance, energy and resources, culture industries. Ms. Wang received a certificate of Certified Public Accountant granted by the Accountancy Board in the USA in October 2005. Ms. Wang received her bachelor's degree of economics from the Central University of Finance and Economics in July 1998. Ms. Wang received her Master of Business Administration degree from the Carnegie Mellon University in the USA in May 2004.

Ms. Wang was appointed as an executive director on 26 January 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cao Shiping (曹仕平)

Mr. Cao, aged 66, is an independent non-executive director. He graduated from the Kunming University of Science and Technology (昆明工學院) (now known as Kunming University of Science and Technology (昆明理工大學) in 1975 majoring in mining. Mr. Cao has the qualification of chief senior engineer and approximately 30 years of experience in mining industry. From 1975 to 1998, Mr. Cao worked for various positions in Dayao Copper Mine (大姚銅礦). During his tenure, Mr. Cao obtained several awards of Yunnan Province Science and Technology Advancement Division Three (雲南省科學技術進步三等獎) granted by Yunnan Province government in the years of 1990, 1992, 1996 and 1997 for his contribution towards technology advancement in various projects. In 1993, Mr. Cao was also awarded as a Model Worker (勞動模範) in the PRC nonferrous metal industry by China Nonferrous Metals Industry Company (中國有色金屬工業總公司) and China National Machinery Metallurgy Union (中國機械冶金工會). The significant contributions by Mr. Cao in engineering also resulted him in receiving the prestigious governmental special allowance granted by the State Council of the People's Republic of China from 1993. Since 1998, Mr. Cao joined Yunnan Copper (Group) Company Limited (雲南銅業(集團)有限公司) for various senior technical positions and currently holds the consultant position. Mr. Cao was admitted as a certified senior Enterprise Risk Manager in 2006.

Mr. Cao was appointed as an independent non-executive director on 16 December 2011.

Mr. Cao Kuangyu (曹貺予)

Mr. Cao, aged 65, is an independent non-executive director. He graduated from the Hunan College of Finance and Economics (湖南財經學院) (now known as University of Hunan (湖南大學) with a Bachelor degree in Finance in 1982. He also holds a Master of Science degree in Financial Management from the University of London. Mr. Cao has extensive experience in the area of banking and finance. For the period from July 1981 to February 1996, Mr. Cao worked in Bank of China, Hunan Province branch and his last position was the deputy president of the branch. For the period from February 1996 to September 1999, he was the deputy general manager of Bank of China, Singapore branch. Mr. Cao was the president of China Citic Bank, Shenzhen branch for the period from September 1999 to September 2003. He was then the managing director of the investment banking division of BOCI Asia Limited from September 2003 to September 2007.

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

Mr. Cao was appointed as an independent non-executive director on 16 December 2011.

Mr. Song Shaohuan (宋少環)

Mr. Song Shaohuan, aged 47, is an independent non-executive director. He holds a Bachelor degree in Computer Science from Taiyuan University of Technology, a Master degree in Marketing from University of International Business and Economics, China, a Master degree in Computer Science from the Moore School, University of Pennsylvania and a Master of Business Administration degree from the Wharton School, University of Pennsylvania. He possesses over 20 years' experience in financial management, project investment and corporate management. Currently, he is the partner of Leading Capital responsible for fund management. He was the general partner of Qun Zhan Capital Partner and chief operating officer of Oriental Creation Management Group. Before that, he worked for Booze Allen Hamilton as senior project manager for China practice.

Mr. Song was appointed as an independent non-executive director on 1 October 2013.

SENIOR MANAGEMENT

Mr. Ip Wing Wai (葉永威)

Mr. Ip, aged 37, is qualified accountant, company secretary and the chief financial officer of the Company. Mr. Ip holds a Bachelor degree in Business Administration in Accounting from the The Hong Kong University of Science and Technology. He is a member of The Hong Kong Institute of Certified Public Accountants since 2004. He joined the Company since August 2011. Mr. Ip is responsible for the Group's overall financial reporting and company secretarial functions of the Group. Mr. Ip possesses approximate 15 years of experience in accounting, auditing and corporate field. Mr. Ip worked in an international accounting firm for auditing and Beijing Enterprises Holdings Limited (Stock Code: 392) as an accounting manager. During September 2006 to August 2008, Mr. Ip served as a finance manager and company secretary in a Chinese coal investment company. He was in charge of financial reporting, corporate finance, merger and acquisition and company secretarial matters and he also coordinated the audit work and due diligence work of a transaction in selling the company's interest in three coal mines in Shanxi to Shougang Fushan. He then worked with Shougang Fushan as a senior finance manager from September 2008 to March 2010. During the tenure, he was mainly responsible for the group's financial reporting, project evaluation, regulatory compliance and investors relationship. Prior joining the Group, Mr. Ip has worked for King Stone Energy since April 2010.

Mr. Huang Kenian (黃可年)

Mr. Huang, aged 40, has been the vice president of the Company since January 2008, and is responsible for direct investment and corporate finance. Mr. Huang holds a Bachelor degree in Economics from the Finance and Banking Institute of China (中國金融學院) (now University of International Business and Economics (對外經濟貿易大學). Mr. Huang has over 15 years experience in corporate finance and merge and acquisition field. During the period from November 2003 to October 2009, Mr. Huang served as a vice president of China Coal and Coke Investment Fund L.P. (the "Partnership") and China Coal and Coke Investment Holding Company Limited. He was one of responsible persons in charge of the foundation of the Partnership which established on 4 February 2005. His main responsibilities included due diligence work on target companies, preparation for business development plan and liaison with different professional parties. Mr. Huang involved in the investment in Fortune Dragon in mid of 2005. The Partnership exited its investment in Fortune Dragon in July 2008 with satisfactory return on investment. From January 2005 to July 2008, Mr. Huang worked as a general manager of capital market department in Fortune Dragon. During his tenure with Fortune Dragon, he successfully procured a fund raising exercise of USD160 million through an international bank for the investment of three coal mines in Shanxi in March 2006, led a task force of the initial public offerings of the company during the period from June 2006 to May 2007 and coordinated the deal of selling the company's interest in three coal mines to Shougang Fushan. Between 1998 to 2003, he worked in various companies, including Guofu Investment Management Co., Ltd. (國富投資管理有限公司), Beijing Xintong Media & Cultural Investment Co., Ltd. (北京信通傳之媒文化投資有限公司) and Beijing Jianhao Industrial Co., Ltd. (北京建昊實業有限公司).

Mr.Li Jiaxing (李嘉興)

Mr. Li, aged 54, is the Deputy General Manager of Hami Jinhua. He is responsible for the Group's mining and exploration management.

Mr. Li is a geologist, holding a professor-level senior engineer professional qualification and has extensive experience in geological exploration. Mr. Li had worked at Xinjiang Non-ferrous Geological Exploration Bureau for 30 years, and had been an engineer, senior engineer, chief engineer of Xinjiang Non-ferrous Geological Exploration Bureau Team 706, participating in several large-scale metal mining exploration projects in Xinjiang region; he subsequently worked at the headquarter of Xinjiang Non-ferrous Geological Exploration Bureau, and served as a professor-level senior engineer, deputy chief engineer and the Commissioner of geological research department, responsible for coordinating the set-up, design, supervision, samples inspection and other works relating to various geological exploration projects, and organizing research cooperation.

Mr. Li Qiu'an (李秋安)

Mr. Li, aged 50, is the Deputy General Manager of Hami Jinhua. He is responsible for business development and general operational management.

Mr. Li has academic background in finance and economic management and holds economist qualification certificate. Mr. Li studied at Shaanxi Economic Management School majoring in finance; he subsequently obtained a degree in economic management at a Communist Party School. Mr. Li had been a divisional head, vice president and president of several branches of China Construction Bank in Tongchuan City, Shaanxi Province; he was subsequently employed as the administration and human resources manager of Tianan Insurance Company Ltd., and the manager of Tianan Insurance Company Ltd., Guangzhou Branch.

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

CORPORATE INFORMATION

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the mining, ore processing and sales of nickel, copper, lead and zinc products in the People's Republic of China (the "PRC"), details of which are set out in Note 9 to the consolidated financial statements.

BUSINESS REVIEW

Details of business review, financial performance and future development of the Group's business are set out in the "Management Discussion and Analysis" from pages 7 to 14.

Principal Risks and Uncertainties

There are various risks and uncertainties including business risks, operational risks, and financial risks that may have different levels of impact on the Group's financial performance, operations, business as well as future prospects.

For risks and uncertainties relating to the business and operation, certain projects of the Group have finite and relatively short estimated mine life and there are uncertainties to acquire new mining projects. The business and results of operations are also susceptible to volatility in commodity prices and economic cyclicality. In addition, as all the existing mining projects are located in the PRC, the Group's business, financial condition, results of operations and prospects are greatly affected by political, economic and legal developments and changes to government policies in the PRC. If any stricter regulations regarding the Group's operation or the mining industry are enacted in the future, business and operation of the Group may also be significantly impacted and there are uncertainties to renew the mining and exploration permits or obtain relevant approvals from the government.

Details of financial risks are set out in note 3 to the consolidated financial statements.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates.

The Group's operations are subject to a variety of PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. These laws and regulations govern a broad range of environmental matters, such as mining control, land rehabilitation, air emissions, noise control, discharge of wastewater and pollutants, waste disposal and radioactive element disposal control. The PRC government has taken an increasingly stringent stance on the adoption and enforcement of rigorous environmental laws and regulations, which could have a material adverse effect on financial condition and results of operations and could incur additional costs.

The Group was in compliance with all relevant PRC laws and regulations regarding environmental protection in all material respects and was not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the year. The Group is also committed to allocate operating and financial resources to ensure environment protection compliance as required by applicable PRC laws and regulations. As at 31 December 2015, the provision for close down, restoration and environmental costs was approximately RMB3.1 million (2014: RMB4.5 million), details of which are set out in notes 21 and 35(a) to the consolidated financial statements.

Compliance with the Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of noncompliance with the applicable rules and regulations. The Group's operations are mainly carried out in the PRC and Hong Kong while the shares of Company are listed on the Stock Exchange. Hence, the Group shall comply with relevant laws and regulations in the PRC, Hong Kong and the respective places of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Rules Governing the Listing of Securities on the Stock Exchange and other relevant regulations.

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 during the year. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 December 2015.

Relationship with Employees, Customers and Suppliers and other Stakeholders

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. During the year, save for disputes in respect of other receivables and prepayments between certain parties and the Group as disclosed in note 16 to the consolidated financial statements, there were no material and significant dispute between the Group and its key stakeholders that have a significant impact on the Group.

The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 41 to 109.

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

DISTRIBUTABLE RESERVES

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

Under the Companies Law of the Cayman Islands, the share premium account is distributable to shareholders if immediately following the date on which the Company proposes to distribute the dividend, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2015, the Company had a reserve balance of RMB343,163,000, representing share premium of RMB577,878,000 net of accumulated losses of RMB234,715,000, available for distribution to the shareholders.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 110.

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in the Company's share capital and convertible bonds are set out in Note 18 and 23 to the consolidated financial statements, respectively.

Shares were issued upon completion of open offer during the year. Details about the issue of shares are also set out in note 18 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's share during the year ended 31 December 2015.

MAJOR CUSTOMER AND SUPPLIER

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

DIRECTORS

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

Executive directors:

Mr. Wang Dayong *(Chairman)*	
Mr. Wang Feng	(resigned on 17 November 2015)
Mr. Lu Qi	
Mr. Zhao Guangsheng	(retired on 5 June 2015)
Mr. Wu Guangsheng	(resigned on 8 June 2015)
Mr. Zhao Bochen	(resigned on 8 June 2015)
Mr. Ma Boping	(resigned on 25 June 2015)
Mr. Sun Zhong	
Mr. Liu Ting	(appointed on 8 June 2015 and resigned on 26 January 2016)
Mr. Shou Xuancheng	(appointed as a non-executive director on 8 September 2015 and re-designated to an executive director on 17 November 2015)
Mr. Xu Zucheng	(appointed on 17 November 2015)
Ms. Wang Qian	(appointed on 26 January 2016)

Independent non-executive directors:

Mr. Cao Shiping
Mr. Cao Kuangyu
Mr. Zhou Mei-Fu (resigned on 25 June 2015)
Mr. Song Shaohuan

In accordance with the Company's articles of association, (i) directors appointed shall hold office until the forthcoming annual general meeting and eligible for re-election and (ii) at each annual general meeting one-third of directors shall retire from office by rotation. Mr. Wang Dayong, Mr. Sun Zhong, Mr. Shou Xuancheng, Mr. Xu Zucheng and Ms. Wang Qian will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 15 to 20.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The remuneration of the directors are determined by the remuneration committee of the Company with reference to the directors' duties, responsibilities and performance and the results of the Group. Further details of the Company's remuneration committee are set out in the corporate governance report on pages 32 to 38 of the annual report.

PERMITTED INDEMNITY

Pursuant to the articles of association of the Company, the directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the directors of the Company.

The Company has arranged appropriate insurance cover in respect of relevant actions against its directors during the year.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

As at 31 December 2015, the following directors or the chief executives of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Name of director	Nature of interest	Total interest in shares	Approximate percentage of the Company's issued share capital
Mr. Wang Dayong (note 1)	Interest in a controlled corporation	411,514,702 (L)	27.43%
Mr. Sun Zhong (note 2)	Interest in a controlled corporation	364,500,000 (L) 364,500,000 (S)	24.30% 24.30%

Remarks: (L): Long position; (S) Short position

Notes:

1. The shares were held by Sky Circle International Limited which is wholly owned by Mr. Wang Dayong.

2. The shares were held by Harvest Gain Investments Limited which is wholly owned by Mr. Sun Zhong. Pursuant to the agreement dated 23 January 2015 and the supplemental agreement dated 12 August 2015, Harvest Gain Investments Limited agreed to transfer 364,500,000 Shares to Feng Long Limited, which is wholly owned by Mr. Liu Mingzhong. The transfer was not completed as at the date of this report.

Interests in the shares of associated corporations of the Company

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

Save as disclosed above, as at 31 December 2015, none of the directors and chief executives of the company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Save as disclosed in the section headed "Non-Competition Undertaking" under the "Management Discussion and Analysis", no directors of the Company or his associate has engaged in any business which competes or is likely to compete directly or indirectly with that of the Group.

EQUITY LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

Convertible bonds and warrants

The Company issued HK$107,500,000 convertible bonds of 50,000,000 conversion shares at HK$2.15 per share on 19 December 2013 ("closing date") to ACE AXIS Limited. The convertible bonds bear interest at 2% per annum which is payable semi-annually. The bonds mature in two years from the closing date and shall be redeemed at 116% of their nominal value or can be converted into ordinary shares of the Company on or after 20 December 2013 up to 19 December 2015 at a price of HK$2.15 per share. In conjunction with the convertible bonds, the Company also issued 20,000,000 warrant shares at HK$2.4 per share on 19 December 2013 to ACE AXIS Limited for no additional consideration. The warrants have a subscription period from 20 December 2013 to 19 December 2015 with an exercise price of HK$2.40 per share and maximum value of issued shares amounting to HK$48,000,000.

Pursuant to the terms and conditions of the convertible bonds and the warrants, as a result of the completion of open offer in September 2015, the conversion price of the outstanding convertible bonds was adjusted from the initial conversion price of HK$2.15 per conversion share to HK$1.725 per conversion share while the subscription price of the outstanding warrants was adjusted from the initial exercise price of HK$2.40 per warrant share to HK$1.93 per warrant share. Following the aforesaid adjustments, (i) the convertible bonds entitled the holders to convert into 62,318,840 conversion shares from the aggregate principle amount of HK$107,500,000 of the outstanding convertible bonds at the adjusted conversion price of HK$1.725 per conversion share; and (ii) the warrants entitled the holders to subscribe for 20,000,000 warrant shares from the maximum value of issued shares in the amount of HK$38,600,000 under the warrants at an adjusted subscription price of HK$1.93 per warrant share.

No convertible bond was converted and no warrant was exercised during the year. Both the convertible bonds and warrants expired in December 2015. Further details of the convertible bonds and warrants are set out in note 23 to the consolidated financial statements.

Share Option Scheme

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

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

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

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

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

The Company has not granted any share option under the Share Option Scheme during the year. There was no outstanding share option as at 31 December 2015.

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

CONTRACT OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

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

So far as was known to the Directors and the chief executive of the Company, as at 31 December 2015, the following persons (not being directors or chief executive of the Company of which interests were disclosed above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of interest	Total interests in shares	Approximate percentage of the Company's issued share capital
Sky Circle International Limited	Beneficial owner (Note 1)	411,514,702 (L)	27.43%
Ms. Yuan Hong	Interest of spouse (Note 1)	411,514,702 (L)	27.43%
Harvest Gain Investments Limited	Beneficial owner (Note 2)	364,500,000 (L) 364,500,000 (S)	24.30% 24.30%
Feng Long Limited	Beneficial owner (Note 2)	364,500,000 (L)	24.30%
Mr. Liu Mingzhong	Interest in a controlled corporation (Note 2)	364,500,000 (L)	24.30%
Legend Vantage Limited	Beneficial owner (Note 3)	136,770,000 (L)	9.12%
Mr. Li Guangrong	Interested in a controlled corporation (Note 3)	136,770,000 (L)	9.12%

Remarks: (L): Long position; (S) Short position

Notes:

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

2. Mr. Sun Zhong is the legal and beneficial owner of the entire issued share capital of Harvest Gain Investments Limited. Pursuant to the agreement dated 23 January 2015 and the supplemental agreement dated 12 August 2015, Harvest Gain Investments Limited agreed to transfer 364,500,000 Shares to Feng Long Limited, which is wholly owned by Mr. Liu Mingzhong. The transfer was not completed as at the date of this report.

3. Mr. Li Guangrong is the legal and beneficial owner of the entire issued share capital of Legend Vantage Limited.

Save as disclosed above, as at 31 December 2015, the directors and the chief executive of the Company were not aware of any other person who had, or was deemed to have, interests and/or short positions in the shares or underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 39 to the consolidated financial statements.

AUDITORS

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

ON BEHALF OF THE BOARD

Mr. Wang Dayong
Chairman

Hong Kong, 29 March 2016

REPORT ON CORPORATE GOVERNANCE

INTRODUCTION

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

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

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

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

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

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

	Attended/Eligible to attend				
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Executive Directors:					
Mr. Wang Dayong *(Chairman)*	12/12	N/A	N/A	1/1	1/1
Mr. Wang Feng (resigned on 17 November 2015)	1/9	N/A	N/A	N/A	0/1
Mr. Lu Qi	8/12	N/A	1/1	N/A	1/1
Mr. Zhao Guangsheng (retired on 5 June 2015)	1/1	N/A	N/A	N/A	0/0
Mr. Wu Guangsheng (resigned on 8 June 2015)	1/2	N/A	N/A	N/A	0/1
Mr. Zhao Bochen (resigned on 8 June 2015)	1/2	N/A	N/A	N/A	0/1
Mr. Ma Boping (resigned on 25 June 2015)	0/3	N/A	N/A	N/A	1/1
Mr. Sun Zhong	6/12	N/A	N/A	N/A	1/1
Mr. Liu Ting (appointed on 8 June 2015 and resigned on 26 January 2016)	5/9	N/A	N/A	N/A	0/0
Mr. Shou Xuancheng (appointed as a non-executive director on 8 September 2015 and re-designated to an executive director on 17 November 2015)	1/4	N/A	N/A	N/A	0/0
Mr. Xu Zucheng (appointed on 17 November 2015)	2/2	N/A	N/A	N/A	0/0
Ms. Wang Qian (appointed on 26 January 2016)	0/0	N/A	N/A	N/A	0/0
Independent Non-Executive Directors:					
Mr. Cao Shiping	5/12	2/2	N/A	N/A	0/1
Mr. Cao Kuangyu	4/12	2/2	0/1	0/1	0/1
Mr. Zhou Mei-Fu (resigned on 25 June 2015)	1/3	N/A	N/A	N/A	0/1
Mr. Song Shaohuan	5/12	2/2	1/1	1/1	1/1

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under provision A2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang Dayong is the chairman while Mr. Sun Zhong is the chief executive officer.

TERMS OF NON-EXECUTIVE DIRECTORS

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

REMUNERATION OF SENIOR MANAGEMNET

The remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out below:

Remuneration bands	Number of persons
Up to HK$1,000,000	4
HK$1,000,001 and above	—

AUDIT COMMITTEE

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

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

During the year, the Audit Committee reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the annual results for the year ended 31 December 2014 and interim results for the six months ended 30 June 2015.

REMUNERATION COMMITTEE

A remuneration committee ("Remuneration Committee") of the Group was established on 16 December 2011 with written terms of reference in line with the Code. The responsibilities of the Remuneration Committee include considering and recommending to the Board the Group's remuneration policy and structure and reviewing and determining the remuneration packages of the directors and senior management. The directors were remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. Details of remunerations of the directors for the year are disclosed in note 33 to the consolidated financial statements.

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

NOMINATION COMMITTEE

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

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

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2015, the directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Save as disclosed in Note 2.1.1 to the financial statements, there are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

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

Auditors' Responsibilities and Remuneration

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

	RMB'000
Annual audit services	1,259
Services in respect of the open offer during the year	375
	1,634

The statement of the auditor of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 39 to 40.

INTERNAL CONTROL

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

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

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

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

Based on its assessment which covers all material controls including financial, operational and compliance controls and risk management functions, the Board believes that for the year ended 31 December 2015, the Company's internal control is effective. The Board is satisfied that there are adequate resources of staff with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

DIRECTORS' TRAINING

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

COMPANY SECRETARY

During the year ended 31 December 2015, Mr. Ip Wing Wai, the Company Secretary, has taken no less than 15 hours of relevant professional training. Biographical details of Mr. Ip are set out in the section headed "Profiles of Directors and Senior Management" in this annual report.

SHAREHOLDERS' RIGHTS

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

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

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

INVESTOR RELATIONS

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

There was no change in the Company's constitutional documents during the year ended 31 December 2015.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

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

We have audited the consolidated financial statements of Huili Resources (Group) Limited (the "Company") and its subsidiaries set out on pages 41 to 109, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

羅兵咸永道

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

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

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2016

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2015	2014
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	64,250	104,952
Mining rights and exploration rights	7	99,300	177,363
Land use rights	8	9,342	9,585
Deferred tax assets	10	2,823	9,749
Refundable deposit	11	163,367	–
Other non-current assets	12	2,492	3,149
Available for sale financial assets	13	112,286	102,301
Total non-current assets		453,860	407,099
Current assets			
Inventories	14	6,526	6,283
Trade receivables	15	3,738	–
Other receivables and prepayments	16	57,594	51,631
Cash and cash equivalents	17	103,333	72,868
Total current assets		171,191	130,782
Total assets		625,051	537,881
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	18	127,362	86,322
Share premium	18	577,878	416,979
Other reserves	19	(9,650)	(19,635)
Accumulated losses	20	(221,481)	(119,673)
		474,109	363,993
Non-controlling interests		1,631	4,172
Total equity		475,740	368,165

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Provision for close down, restoration and environmental costs	21	3,090	4,473
Deferred tax liabilities	10	24,602	45,241
Long-term borrowings	24	41,889	–
Total non-current liabilities		69,581	49,714
Current liabilities			
Trade payables	22	2,523	1,267
Other payables and accruals	26	14,359	33,204
Income tax payable		266	266
Convertible bonds	23	62,582	84,547
Derivative financial instruments	25	–	718
Total current liabilities		79,730	120,002
Total liabilities		149,311	169,716
Total equity and liabilities		625,051	537,881

The notes on pages 47 to 109 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 41 to 109 were approved by the Board of directors on 29 March 2016 and were signed on its behalf.

Wang Dayong
Director

Sun Zhong
Director

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	5	3,195	3,504
Cost of sales	27	(33,498)	(25,039)
Gross loss		(30,303)	(21,535)
Distribution expenses	27	(455)	–
Administrative expenses	27	(60,312)	(47,470)
Other (losses)/gains – net	29	(95)	18,229
Operating loss		(91,165)	(50,776)
Finance income		428	1,155
Finance costs		(13,004)	(13,556)
Finance costs – net	30	(12,576)	(12,401)
Loss before income tax		(103,741)	(63,177)
Income tax (expense)/credit	31	(608)	6,319
Loss for the year		(104,349)	(56,858)
Loss attributable to:			
Equity holders of the Company		(101,808)	(54,466)
Non-controlling interests		(2,541)	(2,392)
		(104,349)	(56,858)
Loss per share attributable to the equity holders of the Company (expressed in RMB per share) — Basic and diluted	32	(0.090)	(0.054)

The notes on pages 47 to 109 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2015	2014
	Note	**RMB'000**	RMB'000
Loss for the year		(104,349)	(56,858)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets	13	9,985	(7,467)
Other comprehensive income/(loss) for the year, net of tax		9,985	(7,467)
Total comprehensive loss for the year		(94,364)	(64,325)
Attributable to:			
Equity holders of the Company		(91,823)	(61,933)
Non-controlling interests		(2,541)	(2,392)
Total comprehensive loss for the year		(94,364)	(64,325)

The notes on pages 47 to 109 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital RMB'000 (Note 18)	Share premium RMB'000 (Note 18)	Safety funds RMB'000 (Note 19)	Maintenance funds RMB'000 (Note 19)	Capital reserve RMB'000 (Note 19)	Available for sale financial assets RMB'000 (Note 19)	Accumulated losses RMB'000 (Note 20)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	86,322	416,979	221	1,583	(13,972)	-	(65,207)	425,926	6,564	432,490
Comprehensive loss										
Loss for the year	-	-	-	-	-	-	(54,466)	(54,466)	(2,392)	(56,858)
Other comprehensive loss										
Available-for-sale financial assets	-	-	-	-	-	(7,467)	-	(7,467)	-	(7,467)
Total other comprehensive loss, net of tax	-	-	-	-	-	(7,467)	-	(7,467)	-	(7,467)
Total comprehensive loss	-	-	-	-	-	(7,467)	(54,466)	(61,933)	(2,392)	(64,325)
At 31 December 2014	86,322	416,979	221	1,583	(13,972)	(7,467)	(119,673)	363,993	4,172	368,165
Comprehensive loss										
Loss for the year	-	-	-	-	-	-	(101,808)	(101,808)	(2,541)	(104,349)
Other comprehensive income										
Available-for-sale financial assets	-	-	-	-	-	9,985	-	9,985	-	9,985
Total other comprehensive income, net of tax	-	-	-	-	-	9,985	-	9,985	-	9,985
Total comprehensive profit/(loss)	-	-	-	-	-	9,985	(101,808)	(91,823)	(2,541)	(94,364)
Transactions with owners in their capacity as owners										
Proceeds from shares issued	41,040	160,899	-	-	-	-	-	201,939	-	201,939
Total transactions with owners in their capacity as owners	41,040	160,899	-	-	-	-	-	201,939	-	201,939
At 31 December 2015	127,362	577,878	221	1,583	(13,972)	2,518	(221,481)	474,109	1,631	475,740

The notes on pages 47 to 109 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash used in operations	34(a)	(15,577)	(23,552)
Net cash used in operating activities		(15,577)	(23,552)
Cash flows from investing activities			
Investment in a fund		–	(109,768)
Deposit payment for investment	11,16(c)	(163,367)	(15,621)
Purchase of property, plant and equipment		(1,357)	(9,792)
Loan repayment received from a third party company		–	7,958
Net proceeds from disposal of a subsidiary	38	4,790	–
Interest received		428	1,155
Net cash used in investing activities		(159,506)	(126,068)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	18	201,939	–
Interest paid		(1,313)	(1,327)
Net cash generated from/(used in) financing activities		200,626	(1,327)
Net increase/(decrease) in cash and cash equivalents		25,543	(150,947)
Cash and cash equivalents at beginning of year		72,868	223,583
Exchange differences on cash and cash equivalents		4,922	232
Cash and cash equivalents at end of year	17	103,333	72,868

The notes on pages 47 to 109 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

These financial statements have been approved for issue by the Board of directors on 29 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied for each of the years ended 31 December 2014 and 2015, unless otherwise stated.

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Going concern

During the year ended 31 December 2015, the Group recorded a revenue of RMB3,195,000 and incurred a net loss of RMB104,349,000, and had a net operating cash outflow of RMB15,577,000. As at the same date, its cash and cash equivalents amounted to RMB103,333,000, RMB62,582,000 of which was utilised in January 2016 to repay its outstanding convertible bonds (Note 23, 39(b)).

The Group entered into a Memorandum of Terms (the "Memorandum") on 3 December 2015 and a Supplemental Terms (the "Supplemental") on 29 March 2016 with certain vendors in relation to a possible acquisition of the entire equity interest of a Target Group, which is principally engaged in exploration, development, production and sale of the coalbed methane in Shanxi Province, at a total consideration of not more than US$ 150 million (equivalent to HK$1,170 million). The consideration will be payable as to: (i) US$ 100 million in cash (including issuance of debt securities, if applicable); and (ii) the remaining consideration of not more than US$50 million by the allotment and issue of up to 600,000,000 ordinary shares of the Company at an issue price of HK$0.65 per share upon completion. Pursuant to the Memorandum, the Group has already paid US$25 million, equivalent RMB163,367,000, to the vendors in December 2015 as a refundable deposit for the exclusive negotiation rights from the date of the Memorandum to end of March 2016 (which was subsequently extended to end of April 2016 pursuant to the Supplemental (Note 11)). The above matter indicated that the Group may need to secure a substantial amount of funds in the foreseeable future to finance the possible acquisition before the end of April 2016 upon signing of a binding purchase and sale agreement with the vendors. If the Company decides to finance the possible acquisition by short-term or long-term borrowings, it is uncertain as to whether the Group will be able to generate adequate financial resources during the terms of the borrowings to service these principal and interest payments, or meet the relevant loan covenant requirements, if any, and these matters may cast significant doubt about the Group's ability to continue as a going concern in the foreseeable future.

The Directors of the Company (the "Directors") confirmed that before a binding sale and purchase agreement is entered into, the Directors would: (i) complete and be satisfied with the due diligence on the financial and non-financial status of the target to ensure the acquisition of the target would not create an adverse impact on the financial position of the Group at least in the coming twelve months from 31 December 2015; and (ii) secure a long-term debt financing of not less than US$75 million at terms (including covenant requirements, if any, and payment terms) that would not create an adverse impact on the financial position of the Group for at least twelve months from 31 December 2015. The abovementioned due diligence work and negotiation for the financing arrangements are still in progress, and no binding sale and purchase agreement or financing arrangements have been entered into by the Company as at the date of approval of the consolidated financial statements. The directors of the Company confirmed that the Company will enter into a binding purchase and sale agreement with the vendors only after the conditions (i) and (ii) as mentioned above have been satisfied in order to maintain the Group's ability to continue as a going concern.

On the basis set out in the preceding paragraph, the directors of the Company have prepared cash flow projections for the Group which cover a period of twelve months from 31 December 2015, without considering the impact of the possible acquisition. The directors are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from end of the reporting period, and are satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying value of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards, mandatory for the first time for the financial year beginning 1 January 2015.

Amendment to HKAS19 regarding defined benefit plans: employee contributions, applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendment to HKFRS8, 'Operating segments' requires disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

Amendments to HKAS16, 'Property, plant and equipment' and HKAS38, 'Intangible assets', clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

HKAS 24, 'Related Party Disclosures', does not require the reporting entity to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but requires the reporting entity to disclose the amounts charged to the reporting entity by the management entity for services provided.

Amendment to HKFRS3, 'Business combinations', clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

Amendment to HKFRS13, 'Fair value measurement', clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

Amendment to HKAS40, 'Investment property', clarifies that the interrelationship between HKAs 40 HKFRS 3 when classifying property as investment property or owner-occupied property.

The adoption of these new and amended standards and interpretations has not had any significant effect on the accounting policies or results and financial position of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policy and disclosures (Continued)

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

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

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted.

	Applicable for accounting periods beginning on/ after
HKFRS 14 "Regulatory Deferral Accounts"	1 January 2016
Amendment to HKFRS 11 on accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41 on Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28 on sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKAS 27 on equity method in separate financial statements	1 January 2016
Annual improvements 2014	
— HKFRS 5, "Non-current assets held for sale and discontinued operations"	1 January 2016
— HKFRS 7, "Financial instruments: Disclosures"	1 January 2016
— HKAS 19, "Employee benefits"	1 January 2016
— HKAS 34, "Interim financial reporting"	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 on investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1 for the disclosure initiative	1 January 2016
HKFRS15 "Revenue from Contracts with Customers"	1 January 2018
HKFRS 9 "Financial Instruments"	1 January 2018

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

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

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

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

(c) Disposal of subsidiaries

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(b) *Transactions and balances*

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

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

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

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

(c) *Group companies*

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

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

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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

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

2.7 Land use rights

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

2.8 Mining rights and exploration rights

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

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

2.9 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets

2.10.1 Classification

The group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet (Notes 2.13 and 2.14).

(b) Available-for-sale financial assets

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

2.10.2 Recognition and measurement

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

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

2.10.3 Impairment of financial assets

(a) Assets carried at amortised cost

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

2.10.3 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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

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

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

(b) Assets classified as available for sale

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Derivative financial instruments

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

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

2.12 Inventories

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

2.13 Trade and other receivables

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

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

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary shares are classified as equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Trade payables

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

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

2.17 Borrowings and borrowing costs

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

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

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

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

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

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

2.18 Convertible bonds

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Convertible bonds (Continued)

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

2.19 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

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

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

(c) Offsetting

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

2.20 Employee benefits

(a) Pension obligations

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

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

(b) Housing benefits

The full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

2.22 Revenue recognition

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

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

(a) Sales of goods

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

2.23 Interest income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Operating leases

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

2.25 Dividend distribution

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

2.26 Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analysing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

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

2.27 Contingent liability

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

At 31 December 2015, if RMB had weakened/strengthened by 1% against Hong Kong dollar with all other variables held constant, loss for the year would have been approximately RMB1,473,000 (2014: RMB1,209,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollars denominated cash and borrowings.

(ii) Price risk

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

The Group is also exposed to equity securities price risk because of investment held by the Group and classified as available for sale financial assets (Note 13).

(iii) Interest rate risk

The Group's interest rate risk arises from bank deposits which are bearing floating interest rates. Floating interest rates cause the Group cash flow interest rate risk. The Group also had convertible bonds bearing fixed interest rate which expose the Group to fair value risk. For the years ended 31 December 2014 and 31 December 2015, management of the Group is of the opinion that relevant risks were not material to the Group.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk*

The carrying amounts of deposits and receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. Management of the Group is of the opinion that adequate provision for uncollectible other receivables has been made as at 31 December 2014 and 2015 after considering the Group's historical experience in collection of other receivables.

(c) *Liquidity risk*

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2015				
Trade and other payables	11,743	—	—	—
Convertible bonds	62,582	—	—	—
Borrowings	—	50,267	—	—
At 31 December 2014				
Trade and other payables	23,093	—	—	—
Convertible bonds	100,435	—	—	—

(d) *Concentration risk*

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

There was no production for the year ended 31 December 2014 and 2015. The sales of concentrates produced during previous years of the Group in general are concentrated on a few major customers. The Group engaged in the trading of coals in 2015, and the sales was concentrated on one major customer. In the event that these major customers terminate the business relationship with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations.

For the year ended 31 December 2015, all the revenues of the Group were derived from one customer (2014: two). These revenues were mainly attributable to the wholesale of coal products.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

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

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

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

The gearing ratios at 31 December 2015 and 2014 were as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Total borrowings (Note 23, 24)	104,471	84,547
Less: cash and cash equivalents (Note 17)	(103,333)	(72,868)
Net debt	1,138	11,679
Total equity	475,740	368,165
Total capital	476,878	379,844
Gearing ratio	0.24%	3.07%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

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

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

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Available-for-sale financial assets				
Equity investment				
– Investment in a fund (Note 13)	—	—	112,286	112,286
Total assets	—	—	112,286	112,286

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Available-for-sale financial assets				
Equity investment				
- Investment in a fund (Note 13)	—	—	102,301	102,301
Total assets	—	—	102,301	102,301
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivative financial instruments (Note 25)	—	—	718	718
Total liabilities	—	—	718	718

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2015.

	Available-for-sale financial assets RMB'000	Derivative at fair value through profit or loss RMB'000	Total RMB'000
Opening balance	102,301	718	103,019
Gains recognised in profit or loss (Note 29)	—	(718)	(718)
Gains recognised in other comprehensive income	9,985	—	9,985
Closing balance	112,286	—	112,286
Total gains for the year included in profit or loss for assets held at the end of the year, under "Other (losses)/gains — net"	—	718	718
Changes in unrealised gains for the year included in profit or loss at the end of the year	—	718	718
Changes in unrealised gains for the year included in other comprehensive income	9,985	—	9,985

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

	Available-for-sale financial assets RMBivat	Derivative at fair value through profit or loss RMB'000	Total RMB'000
Opening balance	—	19,098	19,098
Addition	109,768	—	109,768
Gains recognised in profit or loss (Note 29)	—	(18,380)	(18,380)
Losses recognised in other comprehensive income	(7,467)	—	(7,467)
Closing balance	102,301	718	103,019
Total gains for the year included in profit or loss for assets held at the end of the year, under "Other (losses)/gains — net"	—	18,380	18,380
Changes in unrealised gains for the year included in profit or loss at the end of the year	—	18,380	18,380
Changes in unrealised losses for the year included in other comprehensive income	(7,467)	—	(7,467)

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

Description	Fair value as at 31 December 2015	Valuation technique	Unobservable input	inputs
Available-for-sale financial assets	112,286	Net asset value	Not applicable	Not applicable

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Carrying value of non-current assets

The Group tests whether property, plant and equipment, land use rights, mining rights and exploration rights have been impaired due to events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount, in accordance with accounting policies stated in Note 2.9. As at 31 December 2015, there was impairment charge of approximately RMB25 million on nickel/copper mining rights and related mining structures of the segment of Hami Jiatai Mineral Resource Exploiture Limited ("Hami Jiatai") (Notes 6, 7). And there was no impairment for other property, plant and equipment, land use rights, mining rights and exploration rights. The recoverable amounts of different cash generating units to which the property, plant and equipment, land use rights, mining rights and exploration rights belong, have been determined based on value-in-use calculations using cash flow projections, based on financial budgets approved by management covering a five year period and management's assumptions and estimates including forecast of selling price of nickel, copper, lead, zinc and gold, discount rates, time to restart production and inflation rate. Cash flows beyond the five-year period are assumed to be equal to the cash flow of year 2020 for cash generating units. The discount rates used in cash flow projections varied with different cash generating units.

(b) Useful lives of property, plant and equipment

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Mineral reserves

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

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

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

(d) Income tax

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

(e) Mining licenses

The Group's mining licenses expire at various dates from June 2018 to September 2021. Management believes that the Group will be able to renew these licenses at their option and at minimal cost, provided the Group complies with the terms of the licenses. The useful life of some of the Group's tangible and intangible assets would be reduced and the Group's operation results would be affected accordingly if any licenses could not be renewed.

(f) Fair value of derivatives and other financial instruments

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

5 SEGMENT INFORMATION

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

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

For each of the years ended 31 December 2014 and 2015, the Group had three (note a, b and c) reportable segments respectively:

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

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

(c) Shaanxi Jiahe Mineral Resources Development Co. Ltd. ("Shaanxi Jiahe") which held a gold mine and was mainly engaged in the mining, ore processing and sales of gold products. Shaanxi Jiahe was disposed in December 2015 (Note 38).

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

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

5 SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for each of the years ended and as at 31 December 2014 and 2015 is as follows:

	2015				2014			
	Shaanxi Jiahe RMB'000	Hami Jiatai RMB'000	Hami Jinhua RMB'000	Total RMB'000	Shaanxi Jiahe RMB'000	Hami Jiatai RMB'000	Hami Jinhua RMB'000	Total RMB'000
Year ended 31 December								
Segment revenue								
— Nickel concentrate	—	—	—	—	—	365	2,527	2,892
— Copper concentrate	—	—	—	—	—	—	—	—
— Zinc concentrate	—	—	—	—	—	—	—	—
— Lead concentrate	—	—	—	—	—	—	—	—
— Others	—	—	3,195	3,195	—	—	612	612
	—	—	3,195	3,195	—	365	3,139	3,504
Segment operating loss	(799)	(35,816)	(14,393)	(51,008)	(1,143)	(43,877)	(9,010)	(54,030)
Unallocated operating (losses)/gains (note (a))	—	—	—	(40,157)	—	—	—	3,254
Operating loss	(799)	(35,816)	(14,393)	(91,165)	(1,143)	(43,877)	(9,010)	(50,776)
Segment finance costs — net	99	127	122	348	145	22	(24)	143
Unallocated	—	—	—	12,228	—	—	—	12,258
Finance costs/(income) — net	99	127	122	12,576	145	22	(24)	12,401
Income tax (expense)/credit	—	(909)	301	(608)	—	8,303	(1,984)	6,319
Amortisation	—	80	163	243	—	80	163	243
Segment depreciation	286	2,159	2,647	5,092	2	2,423	2,638	5,063
Unallocated	—	—	—	1	—	—	—	6
Depreciation	286	2,159	2,647	5,093	2	2,423	2,638	5,069
Segment impairment								
- Non-current assets	—	25,059	—	25,059	—	14,000	—	14,000
- Other receivables	—	7,524	6,850	14,374	—	23,500	1,500	25,000
- Unallocated	—	—	—	26,755	—	—	—	—
Impairment	—	32,583	6,850	66,188	—	37,500	1,500	39,000
As at 31 December								
Segment assets	—	94,160	159,275	253,435	90,332	83,496	167,152	340,980
Unallocated assets (note (b))	—	—	—	371,616	—	—	—	196,901
Total	—	94,160	159,275	625,051	90,332	83,496	167,152	537,881
Segment liabilities	—	19,385	30,635	50,020	35,196	25,590	21,940	82,726
Unallocated liabilities (note (c))	—	—	—	99,291	—	—	—	86,990
Total	—	19,385	30,635	149,311	35,196	25,590	21,940	169,716

5 SEGMENT INFORMATION (Continued)

Notes:

(a) Unallocated operating losses mainly represented impairment of other receivables held by the Company and administrative expenses incurred by the Company for the year ended 31 December 2015 and unallocated operating gains mainly represented fair value gains on derivative financial instruments and administrative and consulting expenses incurred by the Company and Realty Investment (Group) Limited ("Realty Investment") for the year ended 31 December 2014.

(b) Unallocated assets as at 31 December 2015 mainly represented by the available for sale financial assets, the refundable deposit, and the bank deposits held by the Company; unallocated assets as at 31 December 2014 mainly represented by the available for sale financial assets and the bank deposits held by the Company and Realty Investment.

(c) Unallocated liabilities as at 31 December 2015 mainly represented by long-term borrowings and convertible bonds of the Company; unallocated liabilities as at 31 December 2014 mainly represented by convertible bonds and derivative financial instruments held by the Company.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Office equipment and others RMB'000	Motor vehicles RMB'000	Mining structures RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2014							
Opening net book amount	25,203	14,596	19	224	13,230	54,362	107,634
Additions	—	13	22	—	—	5,470	5,505
Depreciation (note (a))	(1,792)	(3,184)	(29)	—	(64)	—	(5,069)
Impairment charge (Note 27)	—	—	—	—	(3,118)	—	(3,118)
Closing net book amount	23,411	11,425	12	224	10,048	59,832	104,952
At 31 December 2014							
Cost	35,281	33,250	516	6,969	14,393	59,832	150,241
Accumulated depreciation	(11,870)	(21,825)	(504)	(6,745)	(1,227)	—	(42,171)
Impairment charge (note (b), Note 27)	—	—	—	—	(3,118)	—	(3,118)
Net book amount	23,411	11,425	12	224	10,048	59,832	104,952
Year ended 31 December 2015							
Opening net book amount	23,411	11,425	12	224	10,048	59,832	104,952
Additions	—	—	39	—	—	1,318	1,357
Transfer form construction in progress	—	2,380	—	—	—	(2,380)	—
Disposal	—	(2,148)	(2)	—	—	—	(2,150)
Disposal of a subsidiary (Note 38)	—	(2,097)	(11)	—	—	(27,178)	(29,286)
Depreciation (note (a))	(1,793)	(3,256)	(28)	—	(16)	—	(5,093)
Impairment charge (note (b), Note 27)	—	—	—	—	(5,530)	—	(5,530)
Closing net book amount	21,618	6,304	10	224	4,502	31,592	64,250
At 31 December 2015							
Cost	35,281	25,205	301	6,969	14,393	31,592	113,741
Accumulated depreciation	(13,663)	(18,901)	(291)	(6,745)	(1,243)	—	(40,843)
Impairment charge (note (b), Note 27)	—	—	—	—	(8,648)	—	(8,648)
Net book amount	21,618	6,304	10	224	4,502	31,592	64,250

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Total depreciation	5,093	5,069
Less: capitalised depreciation in construction in progress	—	(657)
	5,093	4,412
Administrative expenses (Note 27)	28	29
Cost of sales (Note 27)	5,065	4,383
	5,093	4,412

(b) Impairment assessment

Hami Jiatai

As a result of the continuous depression in the copper and nickel product market which is the main business engaged in Hami Jiatai, management had decided to postpone the commencement of Hami Jiatai's operations since 2009. During the year ended in 31 December 2014, there is a collapse in the mining area that Hami Jiatai operates, and significant improvement in mining structure and equipment would be necessary for restart of operation. As at 31 December 2014, management appointed an independent valuer to carry out a review of the recoverable amount of its assets in the mining rights, land use rights, properties, plants and equipments. The review has resulted in the recognition of impairment losses on mining structure and mining rights of Hami Jiatai of RMB3,118,000 and RMB10,882,000 respectively (Notes 6, 7), which has been recognised in cost of sales.

In the year 2015, mining activities of Hami Jiatai was further postponed due to the prolonged depression of commodity market and one of the mines was involved in consolidation program of the government, the mining permit expired and there is uncertainty in the permit renewal. As at 31 December 2015, management appointed an independent valuer carried out a review of the recoverable amount of its assets including the mining rights, land use rights, properties, plants and equipments. The review has resulted in the recognition of impairment losses on mining structure and mining rights of Hami Jiatai of RMB5,530,000 and RMB19,529,000 respectively (Notes 6, 7) which has been recognised in cost of sales.

The recoverable amount is determined based on the value-in-use calculation using cash flow projections, based on financial budgets approved by management covering a five year period and management's assumptions and estimates including forecast of selling price of nickel, copper, discount rates, time to restart production and inflation rate on the cash generating unit for the segment of Hami Jiatai. The discount rate used in measuring value-in-use was 19.0% (2014: 18.9%) (Note 7(c)), which is pre-tax and reflects the specific risk relating to the business. The price of nickel/copper used is derived from the forecast of Bloomberg. The production is expected to restart in 2017. And 3% (2014: 3%) is adopted as inflation rate (Note 7(c)). Management also performed sensitivity analysis for the segment of Hami Jiatai of property, plant and equipment together with mining right. If the sales price applied to the cashflow projection is 1% higher/lower or discount rate used is 1% lower/higher, impairment charge for the year would have been approximately RMB2,508,000 lower/higher (2014: RMB2,978,000 lower/higher) and 1,472,000 lower/RMB1,365,000 higher (2014: RMB3,756,000 lower/RMB4,114,000 higher).

7 MINING RIGHTS AND EXPLORATION RIGHTS

	2015			2014		
	Mining rights RMB'000	Exploration rights RMB'000	Total RMB'000	Mining rights RMB'000	Exploration rights RMB'000	Total RMB'000
Year ended 31 December						
Opening net book amount	129,235	48,128	177,363	140,117	48,128	188,245
Disposal of a subsidiary (note (a))	(10,406)	(48,128)	(58,534)	—	—	—
Amortisation charge (note (b))	—	—	—	—	—	—
Impairment charge (note (c), Note 27)	(19,529)	—	(19,529)	(10,882)	—	(10,882)
Closing net book amount	99,300	—	99,300	129,235	48,128	177,363
At 31 December						
Cost	133,523	—	133,523	143,929	48,128	192,057
Accumulated amortization	(3,812)	—	(3,812)	(3,812)	—	(3,812)
Impairment charge (note (c), Note 27)	(30,411)	—	(30,411)	(10,882)	—	(10,882)
Net book amount	99,300	—	99,300	129,235	48,128	177,363

Notes:

(a) In the year 2015, the Group disposed Shaanxi Jiahe (Note 38), as a result, the exploration rights and mining rights of Shaanxi Jiahe are transferred out.

(b) There was no amortization for the year ended 31 December 2014 and 2015 as no ore was mined.

(c) Impairment assessment

As at 31 December 2015, management carried out a review of the recoverable of its assets in the mining rights, land use rights, properties, plants and equipments. The review has resulted in the recognition of impairment losses on mining rights of Hami Jiatai of RMB19,529,000 (Note 6(b)).

For each of the segment the key assumptions for impairment review using value-in-use model, including selling price, time to restart production, inflation rate and discount rate used in the value-in-use calculations in 2015, are as follows. The assumptions are based on financial budgets approved by management for five years from 2016 to 2020.

	Hami Jinhua	Hami Jiatai
VAT included selling price for		
— nickel		105,056~112,740
— copper		41,975~42,895
— lead	14,115~14,765	
— zinc	16,470~17,009	
Time to restart production	2017	2017
Inflation rate	3%	3%
Pre-tax discount rate	21.00%	19.00%

7 MINING RIGHTS AND EXPLORATION RIGHTS (Continued)

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

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

8 LAND USE RIGHTS

In Mainland China with remaining land use rights periods ranging from 38 to 41 years as at 31 December 2015:

	2015 RMB'000	2014 RMB'000
Year ended 31 December		
Opening net book amount	9,585	9,828
Amortisation charge (Note 27)	(243)	(243)
Closing net book amount	9,342	9,585
At 31 December		
Cost	11,136	11,136
Accumulated amortization	(1,794)	(1,551)
Net book amount	9,342	9,585

9 SUBSIDIARIES

The following is a list of the Principal Subsidiaries at 31 December 2015:

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

The total non-controlling interests in respect of Hami Jinhua Mineral Resource Exploiture Limited are not material.

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

10 DEFERRED INCOME TAX

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	(2,823)	(9,749)
– Deferred tax asset to be recovered within 12 months	—	—
	(2,823)	(9,749)
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	24,602	45,241
– Deferred tax liability to be recovered within 12 months	—	—
	24,602	45,241
Deferred tax liabilities — net	21,779	35,492

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of year	35,492	41,811
Charged/(credited) to the income statement (Note 31)	608	(6,319)
Disposal of a subsidiary (Note 38)	(14,321)	—
At end of year	21,779	35,492

10 DEFERRED INCOME TAX (Continued)

The movements in deferred tax assets and liabilities for each of the years ended 31 December 2014 and 2015, without taking into consideration of the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Depreciation and others RMB'000	Tax losses RMB'000	Provisions and accruals RMB'000	Total RMB'000
At 1 January 2014	(2,183)	(4,175)	(839)	(7,197)
(Credited)/charged to the income statement	(477)	4,175	(6,250)	(2,552)
At 31 December 2014	(2,660)	—	(7,089)	(9,749)
At 1 January 2015	(2,660)	—	(7,089)	(9,749)
(Credited)/charged to the income statement	(163)	—	7,089	6,926
At 31 December 2015	(2,823)	—	—	(2,823)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. No deferred income tax assets were recognised for tax losses, provisions and accruals as at 31 December 2015 as there is uncertainty on whether the unused tax losses, provisions and accruals can be utilised in the future.

10 DEFERRED INCOME TAX (Continued)

Deferred tax assets (Continued)

The Group did not recognise deferred income tax assets of RMB7,200,750 (2014: RMB7,109,000) in respect of losses amounting to RMB28,803,000 (2014: RMB28,436,000), and the expiry dates are as follows.

	As at 31 December	
	2015	2014
expiry date		
2015	—	120,000
2016	1,255,000	1,255,000
2017	8,766,000	8,766,000
2018	5,186,000	6,546,000
2019	6,609,000	11,749,000
2020	6,987,000	—
Total	28,803,000	28,436,000

Deferred tax liabilities

	Valuation surplus of mining rights and land use rights upon business combination RMB'000
At 1 January 2014	49,008
Credited to the income statement	(3,767)
At 31 December 2014	45,241
At 1 January 2015	45,241
Credited to the income statement	(6,318)
Disposal of a subsidiary (Note 38)	(14,321)
At 31 December 2015	24,602

11 REFUNDABLE DEPOSIT

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Refundable deposit	163,367	—

Note:

The Group entered into a Memorandum of Terms (the "Memorandum") on 3 December 2015 and a Supplemental Terms (the "Supplemental") on 29 March 2016 with certain vendors in relation to a possible acquisition of the entire equity interest of a Target Group, which is principally engaged in exploration, development, production and sale of the coalbed methane in Shanxi Province, at a total consideration of not more than US$ 150 million (equivalent to HK$1,170 million). The consideration will be payable as to: (i) US$ 100 million in cash (including issuance of debt securities, if applicable); and (ii) the remaining consideration of not more than US$50 million by the allotment and issue of up to 600,000,000 ordinary shares of the Company at an issue price of HK$0.65 per share upon completion. Pursuant to the Memorandum, the Group has already paid US$25 million to the vendors in December 2015 as a refundable deposit for the exclusive negotiation rights from the date of the Memorandum to end of March 2016 (which was subsequently extended to end of April 2016 pursuant to the Supplemental).

The earnest money was secured by the share charge in respect of all the shares of the Vendors in favour of the Company. In the event that no sale and purchase agreement is entered into or the possible acquisition does not proceed on or before 30 April 2016, the earnest money shall be refunded to the Company in no more than 10 days.

12 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Restricted cash at banks	2,492	2,800
Others	—	349
	2,492	3,149

Note:

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

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 RMB'000	2014 RMB'000
At 1 January	102,301	—
Additions	—	109,768
Net gains/(loss) transfer to equity	9,985	(7,467)
At 31 December	112,286	102,301

Available-for-sale financial assets include the following:

	2015 RMB'000	2014 RMB'000
Equity investment		
– Invest in a fund	112,286	102,301

Note:

On 29 January 2014, the Company entered into the subscription agreement and acceded to the Limited Partnership Agreement, pursuant to which the Company agreed to subscribe for Class B Limited Partnership Interests with a total capital commitment of not more than US$18 million (equivalent to HK$139.5 million), representing approximately 13.95% of the targeted total capital commitment of HK$1,000 million, in the Fund which is a limited partnership focusing on mining and natural resources industries, which had subscribed the convertible bonds of HK$107,500,000 issued by the Company on 19 December 2013, through its wholly owned special purpose vehicle ("ACE AXIS Limited") (Note 23, 24). The company had paid HK$139,500,000 (equivalent to RMB116,870,000) to the fund till 31 December 2015.

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

14 INVENTORIES

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Raw materials	4,412	4,506
Semi-finished goods	1,777	1,777
Commodity	337	—
	6,526	6,283

Raw materials mainly included consumables, semi-finished goods included raw ores, and commodity represented coal purchased by Hami Jinhua from third party which would be subsequently sold to customers.

14 INVENTORIES (Continued)

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cost of sales	8,439	10,649

Note: Included in the cost of inventories recognised as expense was idle capacity variance RMB4,450,000 for the year ended 31 December 2015, and included in the cost of inventories recognised as expense was idle capacity variance and reversal of provision for inventories of RMB4,320,000 for the year end 31 December 2014, which was directly charged to cost of sales.

15 TRADE RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables	3,738	–
Less: Provision for impairment of trade receivables	–	–
Trade receivables – net	3,738	–

As at 31 December 2015, the ageing of trade receivables were within 1 month.

16 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Other receivables		
— Amounts due from Xiaoyi Dajieshan (note (a), Note 38)	52,600	—
— Amounts due from Shaanxi Jiatai (note (b))	39,350	43,976
— Amounts due from Mr. Wei Xing (note (c))	26,756	25,777
— Deductible VAT input	1,780	1,870
— Others (note (d))	3,055	4,774
Less: impairment provision (note (e), Note 27)	(66,422)	(25,293)
	57,119	51,104
Advances to suppliers — third parties	475	527
	57,594	51,631

16 OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes:

(a) The amounts of RMB52,600,000 due from Xiaoyi Dajieshan arised from disposal of Shaanxi Jiahe. In December 2015, the Company and Xiaoyi Dajieshan Coal Limited entered into an agreement, pursuant to which i>Hami Jitai sold 100% equity interests in Shaanxi Jiahe to Xiaoyi Dajieshan for a consideration of RMB48,000,000. ii>receivables due from Shaanxi Jiahe to the Company and its subsidiaries, amounted to RMB9,400,000, was transferred to Xiaoyi Dajieshan for a consideration of RMB9,400,000. The transfer was completed in December 2015. Until 31 December 2015, the group received RMB4,800,000 from Xiaoyi Dajieshan and the remaining balance of RMB52,600,000 would be collected in 2016.

(b) The balance mainly represented prepayment of RMB23,500,000 for acquisition of Shaanxi Jiarun which was lapsed on 30 September 2013, proceeds of RMB8,350,000 receivable from Shaanxi Jiatai arising from disposal of plant, property and equipment and advances of RMB7,500,000 to Shaanxi Jiatai, a company owned by Mr. Wei Xing. The balance was impaired because of dispute between Shaanxi Jiatai and the Group.

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

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

On 30 June 2014, the Company, Geo-Tech and Mr. Wei Xing had entered into another supplementary agreement pursuant to which the exclusive negotiation right was extended to 31 December 2014. By 31 December 2015, no supplementary agreement was signed and the aforementioned signed agreements were expired.

Until 31 December 2015, the charging aforementioned has not yet been registered, and provision had been provided against the receivables because of dispute between Mr. Wei Xing and the Group.

(d) The balances as at 31 December 2014 and 2015 mainly represented receivables from third parties, which were unsecured, interest free and had no fixed terms of repayment.

(e) As of 31 December 2015, other receivables of RMB66,422,000 (2014: RMB44,293,000) were impaired. The amount of the provision was RMB66,422,000 as of 31 December 2015 (2014: RMB25,293,000) which has been recognised in administrative expenses. The individually impaired receivables mainly related to Shaanxi Jiatai (Note 16(b)) and Mr. Wei Xing (Note 16(c)), which is in dispute with the Group upon the refund of the receivables.

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

17 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cash on hand	—	3
Current deposits with banks	103,333	72,865
Cash and cash equivalents	103,333	72,868

Balances can be analysed as follows:

	As at 31 December	
	2015	2014
Denominated in:		
— RMB	6,941	4,806
— Hong Kong dollars	96,389	68,059
— US dollars	3	3
	103,333	72,868

Notes:

(a) The bank deposits were interest bearing at rates based on bank deposit rates as agreed with banks. The weighted average effective interest rate on deposits ranged from 0.01% to 0.35% per annum as at 31 December 2015 (2014: 0.35% to 0.8%).

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

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

18 SHARE CAPITAL AND SHARE PREMIUM

	Authorised Shares of HK$0.1 each
As at 31 December 2014 and 2015	5,000,000,000

	Issued and fully paid			
	Number of Shares (Thousands)	Share Capital RMB'000	Share Premium RMB'000	Total RMB'000
At 1 January 2014 and at 31 December 2014	1,000,000	86,322	416,979	503,301
– Proceeds from shares issued (note (a))	500,000	41,040	160,899	201,939
At 31 December 2015	1,500,000	127,362	577,878	705,240

Notes:

(a) The group issued 500,000,000 shares on 25 September 2015 (33.3% of the total ordinary share capital issued) by way of the Open Offer at the Subscription Price of HK$0.50 per Offer Share on the basis of one Offer Share for every two Shares in issue. The fair value of the shares issued amounted to RMB205,200,000 (RMB0.41 per share). The related transaction costs amounting to RMB3,261,000 have been netted off with the deemed proceeds.

19 OTHER RESERVES

	Safety funds RMB'000	Maintenance funds RMB'000	Capital reserve RMB'000	Available for sale investments RMB'000	Total RMB'000
At 1 January 2014, 31 December 2014	221	1,583	(13,972)	(7,467)	(19,635)
Revaluation (Note 13)	—	—	—	9,985	9,985
At 31 December 2015	221	1,583	(13,972)	2,518	(9,650)

20 ACCUMULATED LOSSES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Accumulated losses at beginning of year	(119,673)	(65,207)
Loss for the year	(101,808)	(54,466)
Accumulated losses at end of year	(221,481)	(119,673)

Notes:

(a) In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, the PRC subsidiaries are required to transfer 10% of the profit after taxation determined in accordance with PRC GAAP to the statutory reserve until the balance reaches 50% of the paid-up capital. Such reserve can be used to reduce any losses incurred or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital. There were no appropriation to the statutory reserve for the years ended 31 December 2014 and 2015 as there were losses for the years ended 31 December 2014 and 2015 in the PRC subsidiaries.

(b) Pursuant to certain regulations issued by the State of Administration of Work Safety, the Group is required to set aside an amount to a safety fund at RMB8 per tonne of raw ore mined. The fund can be used for improvements of safety at the mines, and are not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings. There were no appropriation to the safety funds for the years ended 31 December 2014 and 2015 as no ore was mined.

(c) Pursuant to certain regulations issued by the State of Administration of Work Safety and Ministry of Finance, the Group is required to set aside an amount to a maintenance fund calculated based on a rate of RMB18 per tonne of raw ore mined. The fund can be used for improvement of mining structures, and are not available for distributions to shareholders. Upon incurring qualifying capital expenditure, an equivalent amount is transferred from maintenance fund to retained earnings. There were no appropriation to the maintenance fund for the years ended 31 December 2014 and 2015 as no ore was mined.

(d) The directors of the Company did not propose any payment of dividends to the Company's shareholders for the years ended 31 December 2014 and 2015.

21 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of year	4,473	4,151
Unwinding of discount (Note 30)	356	322
Disposal of a subsidiary (Note 38)	(1,739)	—
At end of the year	3,090	4,473

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

22 TRADE PAYABLES

Trade payables are analysed as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
— Third parties	2,523	1,267

The ageing analysis of trade payables are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
0—90 days	1,486	16
91—180 day	—	—
181—365 days	—	6
Over 365 days	1,037	1,245
	2,523	1,267

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

23 CONVERTIBLE BONDS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Convertible bonds (note)	**62,582**	84,547

Note:

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

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

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

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

	2014
	RMB'000
Liability component as at 1 January 2014	72,503
Interest expense (Note 30)	13,472
Interest payable	(1,694)
Exchange losses	266
Liability component as at 31 December 2014	84,547

The convertible bonds matured on 19 December 2015 and the bond holder didn't execute the conversion rights, the bonds shall be redeemed.

On the date the convertible bonds matured, the bond holder and the Company signed a side agreement, pursuant to which, HKD50,000,000 (equivalent to RMB41,889,000) among the matured amount would be converted to a two-year loan with 10% annual interest, and residual amount of HKD74,700,000 (equivalent to RMB62,582,000) would be repaid in 30 days. As a result, HKD50,000,000 (equivalent to RMB41,889,000) was transferred to long-term borrowings (Note 24).

In January 2016, HKD74,700,000 (equivalent to RMB62,582,000) was subsequently settled.

23 CONVERTIBLE BONDS (Continued)

	2015 RMB'000
Liability component as at 1 January 2015	84,547
Interest expense (Note 30)	15,945
Interest payable	(1,692)
Exchange losses	5,671
Mature and transfer to	
— Long-term borrowings (Note 24)	(41,889)
Liability component as at 31 December 2015	62,582

24 LONG-TERM BORROWINGS

	As at 31 December 2015 RMB'000	 2014 RMB'000
Long-term borrowings to ACE Axis Limited (Note 23)	41,889	—

25 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2015 RMB'000	 2014 RMB'000
Convertible bonds — Embedded derivatives (note (a))	—	571
Warrants (note (b))	—	147
	—	718

Notes:

(a) The embedded derivatives are in connection with convertible bonds issued on 19 December 2013, mainly include bondholders' conversion option. The embedded derivatives are valued at HK$12,243,000 (equivalent to RMB9,637,000) at closing date, and subsequently valued at HK$724,000 (equivalent to RMB571,000) at 31 December 2014 by APAC Asset Valuation and Consulting Limited ("APAC"). The conversion option expired on 19 December 2015. The fair value change was made through profit and loss.

(b) The warrants are issued together with the convertible bonds on 19 December 2013, which are valued at HK$3,518,000 (equivalent to RMB2,770,000) at closing date, and subsequently valued at HK$186,000 (equivalent to RMB147,000) at 31 December 2014 by APAC. The warrants expired on 19 December 2015. The fair value change was made through profit and loss.

26 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Other payables (note (a))	3,353	21,826
Salary and welfare payables	5,868	6,152
Accrued taxes other than income tax (note (b))	5,138	5,226
	14,359	33,204

Notes:

(a) Other payables are analysed as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Other payables		
— Amounts due to Mr. Wei Xing (note (i))	186	8,618
— Third parties (note (ii))	3,167	13,208
	3,353	21,826

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

(ii) Other payable to third parties mainly included expenses incurred in relation to exploration and other services, and advances from third parties as at 31 December 2014 and mainly included advances from third parties as at 31 December 2015.

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Value added tax	443	448
Resource tax	284	284
Resource compensation fee	4,269	4,282
Others	142	212
	5,138	5,226

The carrying amounts of other payables approximated their fair values.

27 EXPENSES BY NATURE

The following items have been charged to the operating loss for the years ended 31 December 2014 and 2015:

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Depreciation (Note 6)	5,093	4,412
Amortisation (Note 8)	243	243
Impairment provision for mining assets and mining rights (Note 6, 7)	25,059	14,000
Doubtful debt provision for other receivables (Note 16)	41,129	25,000
Employee benefit expenses (Note 28)	9,028	12,754
Office expenses and operating lease payments	6,734	7,511
Coal purchased from third party	2,814	—
Changes in inventories of semi-finished goods and finished goods (Note 14)	—	6,571
Reversal of impairment of inventories	—	(1,538)
Consulting fees	1,789	1,400
Auditor's remuneration	1,259	1,181
Transportation expenses	565	131
Electricity consumed	41	56
Others	511	788
Total cost of sales, distribution expenses and administrative expenses	94,265	72,509

28 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Wages and salaries	8,348	11,951
Contributions to pension plans (note (a))	348	466
Housing benefits (note (b))	116	118
Welfare and other expenses	216	219
	9,028	12,754

Notes:

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

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the group for the year include two (2014: four) directors whose emoluments are reflected in the analysis shown in Note 33. The emoluments payable to the remaining three (2014: one) individuals during the year are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	1,176	470
Contribution to pension scheme	–	6
	1,176	476

The emoluments fell within the following bands:

	Number Of individuals	
	2015	2014
Emolument bands (in RMB)		
RMB0 – RMB500,000	2	1
RMB500,001- RMB1,000,000	1	–

29 OTHER (LOSSES)/GAINS — NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Fair value gains on derivative financial instruments (Note 25)	718	18,380
Gains on disposal of a subsidiary (Note 38)	1,162	—
Losses on disposal of property, plant and equipment	(2,150)	—
Others	175	(151)
	(95)	18,229

30 FINANCE COSTS — NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Finance income		
— Interest income	428	1,155
Finance costs		
Exchange gains — net	3,297	238
Interest expense		
— Convertible bonds (Note 23)	(15,945)	(13,472)
— Unwinding of discount — provision for close down, restoration and environmental costs (Note 21)	(356)	(322)
	(13,004)	(13,556)
Finance costs — net	(12,576)	(12,401)

31 INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current tax	—	—
Deferred tax	608	(6,319)
Income tax expense/(credit)	608	(6,319)

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

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

Surplus Plan and Realty Investment were subject to Hong Kong profits tax at tax rate of 16.5% for each of the years ended 31 December 2014 and 2015.

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

The applicable tax rate of Huili Runce, Hami Jinhua, Hami Jiatai and Shaanxi Jiahe for each of the years ended 31 December 2014 and 2015 were 25%.

All the Group's subsidiaries in Hong Kong and Mainland China did not have any assessable profit for each of the years ended 31 December 2014 and 2015.

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Loss before income tax	(103,741)	(63,177)
Tax calculated at domestic tax rates applicable to results in the respective countries	(13,294)	(14,081)
Tax effects of:		
— Expenses not deductible for tax purposes	122	166
— Deductible temporary differences for which no deffered income tax asset recognized	11,334	—
— Tax losses for which no deferred income tax asset recognized	2,446	7,596
Income tax expense/(credit)	608	(6,319)

32 LOSS PER SHARE

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Loss attributable to equity holders of the Company	(101,808)	(54,466)
Adjusted weighted average number of shares in issue (in thousands)	1,132,877	1,000,000
Basic and diluted loss per share (RMB)	(0.090)	(0.054)

Diluted loss per share was equal to basic loss per share as there was no dilutive potential share outstanding for the each of the years ended 31 December 2014 and 2015.

33 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

Name	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note (a)) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Wang Dayong	690	—	—	250	—	940
Mr. Lu Qi	169	—	—	—	—	169
Mr. Ma Boping (note(b))	146	—	—	—	—	146
Mr. Shou Xuancheng (note(c))	97	—	—	—	—	97
Mr. Cao Shiping	97	—	—	—	—	97
Mr. Cao Kuangyu	97	—	—	—	—	97
Mr. Song Shaohuan	97	—	—	—	—	97
Mr. Liu Ting (note(d))	82	—	—	—	—	82
Mr. Zhao Guangsheng (note(e))	82	—	—	—	—	82
Mr. Wu Guangsheng (note(f))	50	—	—	—	—	50
Mr. Zhou Meifu (note(g))	49	—	—	—	—	49
Mr. Zhao Bochen (note(h))	35	—	—	—	—	35
Mr. Xu Zucheng (note(i))	—	—	—	—	—	—
Mr. Wang Feng (note(j))	—	—	—	—	—	—
Chief executive:						
Mr. Sun Zhong (note(k))	440	—	—	—	—	440

33 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

For the year ended 31 December 2014 (Restated):

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

Name	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note (a)) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Wang Dayong	470	—	—	—	—	470
Mr. Lu Qi	470	—	—	—	—	470
Mr. Wu Guangsheng	470	—	—	—	—	470
Mr. Zhao Bochen	470	—	—	—	—	470
Mr. Ma Boping	282	—	—	—	—	282
Mr. Cao Shiping	94	—	—	—	—	94
Mr. Cao Kuangyu	94	—	—	—	—	94
Mr. Zhou Meifu	94	—	—	—	—	94
Mr. Song Shaohuan	94	—	—	—	—	94
Mr. Sin Lik Man	—	—	—	—	—	—
Mr. Sun Zhong	—	—	—	—	—	—
Mr. Wang Feng	—	—	—	—	—	—
Chief executive:						
Mr. Zhao Guangsheng	470	—	—	—	—	470

Notes:

(a) Presents the estimated money value of accommodation provided to Mr. Wang on 2015.
(b) Mr. Ma has resigned as executive director on 25 June,2015.
(c) Mr. Shou has been appointed as non-executive director on 8 September,2015 and re-designated to an executive director on 17 November 2015.
(d) Mr.Liu has been appointed as executive director on 8 June,2015.
(e) Mr. Zhao has retired on 5 June,2015 as the CEO.
(f) Mr. Wu has resigned as executive director on 8 June,2015.
(g) Mr. Zhou has resigned as executive director on 25 June,2015.
(h) Mr. Zhao has resigned as executive director on 8 June,2015.
(i) Mr. Xu has been appointed as executive director on 17 November,2015.
(j) Mr. Wang has resigned as executive director on 17 November,2015.
(k) Mr. Sun has been appointed as CEO on 5 June,2015.

34 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash used in operations

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Loss before income tax	(103,741)	(63,177)
Adjustments:		
Depreciation of property, plant and equipment	5,093	4,412
Amortisation	243	243
Loss on disposal of property, plant and equipment	2,150	—
Fair value gains on derivative financial instruments	(718)	(18,380)
Finance costs	17,049	13,828
Finance income	(428)	(1,155)
Gains on disposal of subsidiary	(1,162)	—
Reversal of impairment of inventories	—	(1,538)
Impairment of long-term assets	25,059	14,000
Impairment of other receivables	41,129	25,000
Cash used in operations before working capital changes	(15,326)	(26,767)
Changes in working capital:		
(Increase)/Decrease in inventories	(355)	6,624
Increase in trade receivables	(3,738)	—
Increase in other receivables and prepayments	(2,440)	(4,457)
Increase in trade and other payables and accruals	5,974	1,897
(Decrease)/Increase in restricted cash at banks for environmental recovery	308	(849)
Cash used in operations	(15,577)	(23,552)

35 CONTINGENCIES

(a) Environmental contingencies

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

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

(b) Insurance

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

36 COMMITMENTS

(a) Capital commitments

There is no contracted capital expenditure as at year end of 2015 and 2014.

36 COMMITMENTS (Continued)

(b) Operating lease commitments

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

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
No later than 1 year	1,845	2,316
Later than 1 year and no later than 5 years	—	1,485
Later than 5 years	—	41
	1,845	3,842

37 RELATED PARTY TRANSACTIONS

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

Name of related parties	Relationship with the Group
Mr. Lu Qi	A director and an ultimate shareholder of the Company holds 34.3% equity interest in the Group.
Mr. Wang Dayong	A director and an ultimate shareholder of the Company holds 27.43% equity interest in the Group.

(b) For the period from 16 December 2014 to 15 June 2015, the Group's management is of the view that the following persons are related parties of the Group:

Name of related parties	Relationship with the Group
Mr. Wang Dayong	A director and an ultimate shareholder of the Company holds 27.43% equity interest in the Group.
Mr. Sun Zhong	A director and an ultimate shareholder of the Company holds 24.3% equity interest in the Group.
Mr. Lu Qi	A director and an ultimate shareholder of the Company holds 10% equity interest in the Group.

37 RELATED PARTY TRANSACTIONS (Continued)

(c) For the period from 16 June 2015 to 31 December 2015, the Group's management is of the view that the following persons are related parties of the Group:

Name of related parties	Relationship with the Group
Mr. Wang Dayong	A director and an ultimate shareholder of the Company holds 27.43% equity interest in the Group.
Mr. Sun Zhong	A director and an ultimate shareholder of the Company holds 24.3% equity interest in the Group.

During each of the years ended 31 December 2014 and 2015, the Company had not any material transactions with related parties besides of the aforementioned transactions disclosed in this annual report.

(d) Key management compensation

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

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	1,277	1,880
Contributions to pension plan	31	72
	1,308	1,952

38 DISPOSAL OF A SUBSIDIARY

Disposal of Shaanxi Jiahe

On 18 December 2015, the Group entered into an unconditional equity and debt transfer agreements with Xiao Yi Da Jie Shan Coal Company Limited (the "Purchaser"), a third party private company, to transfer (i) the entire registered capital of Shaanxi Jiahe for a cash consideration of RMB48,000,000; and (ii) the entire debts due by Shaanxi Jiahe to the Group for a cash consideration of RMB9,400,000.

The consideration was determined after negotiations between the Group and the Purchaser after taking into account of various factors, especially the net assets value of Shaanxi Jiahe as at 30 June 2015 and the carrying value of the debts due by Shaanxi Jiahe to the Group as at the date of disposal. According to the equity and debt transfer agreements, RMB4,800,000 was received in December 2015, and the remaining RMB52,600,000 (which includes all the consideration for the sale of the debts due by Shaanxi Jiahe to the Group) shall be paid on or before 31 December 2016 with no interest bearing.

As at 18 December 2015, the date of disposal, the carrying amounts of entire registered capital of Shaanxi Jiahe and entire debts due by Shaanxi Jiahe to the Group was RMB46,838,000 and RMB9,400,000 respectively, and the Group recognised a gain on disposal of Shaanxi Jiahe of RMB1,162,000 (Note 29).

38 DISPOSAL OF A SUBSIDIARY (Continued)

The consideration, net asset of Shaanxi Jiahe disposed and the disposed debts due by Shaanxi Jiahe to the Group at the date of disposal are set out below:

Consideration

	RMB'000
Satisfied by:	
Cash	4,800
Receivables as at 18 December 2015 for equity	43,200
Receivables as at 18 December 2015 for debt	9,400
Total consideration	57,400

Net asset of subsidiary disposed

At 18 December 2015	RMB'000
Property, plant and equipment (Note 6)	29,286
Mining rights(Note 7)	58,534
Other non-current assets	349
Cash	10
Other receivables and prepayments	7,948
Inventories	112
Provision for close down, restoration and environmental costs (Note 21)	(1,739)
Deferred tax liabilities (Note 10)	(14,321)
Other payables	(33,341)
Net identifiable assets and liabilities disposed of	46,838
Debts due by Shaanxi Jiahe to the Group	9,400
Gains on disposal of Shaanxi Jiahe (Note 29)	1,162

The effect of such disposal on the Group's cash flow for the year ended 31 December 2015 is set out below:

	2015 RMB'000
Cash flow of subsidiary disposal:	
Cash consideration received	4,800
Less: Cash and cash equivalents of Shaanxi Jiahe disposed of	(10)
Net proceeds from disposal of the subsidiary	4,790

39 EVENTS AFTER BALANCE SHEET DATE

(a) Proposed acquisition of a target company

On 4 March 2016, the Group entered into a sale and purchase agreement with certain vendors whereby it has conditionally agreed to purchase the entire issued share capital of a target company and its subsidiaries at a total consideration HK$121.2 million. The target company is principally engaged in finance leasing business through its subsidiary in the PRC.

Upon the fulfilment of agreed conditions precedent before 30 June 2016, the acquisition would be complete and the total consideration shall be satisfied by the allotment and issue of 120,000,000 new shares to the vendors at the issue price of HK$1.01 upon the completion of the acquisition.

(b) Repayment of Convertible bonds

The Company issued HK$107,500,000 two-year convertible bonds on 19 December 2013 to ACE AXIS Limited, and on 19 December 2015 the convertible bonds matured, the bond holder and the Company signed a side agreement, pursuant to which, HKD50,000,000 among the matured amount was converted to a two-year loan and residual amount of HKD74,700,000 including interest due would be repaid in 30 days. On 11 January 2016, HKD74,700,000 (equivalent to RMB62,582,000) was subsequently settled.

40 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		119,261	228,401
Refundable deposit		163,367	–
Available for sale financial assets		112,286	102,301
Total non-current assets		394,914	330,702
Current assets			
Other receivables and prepayments		89,959	131,870
Cash and cash equivalents		94,921	42,025
Total current assets		184,880	173,895
Total assets		579,794	504,597
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		127,362	86,322
Share premium		577,878	416,979
Other reserves	(note (a))	2,518	(7,467)
Accumulated losses	(note (a))	(234,715)	(78,107)
Total equity		473,043	417,727
LIABILITY			
Non-current liabilities			
Long-term borrowings		41,889	–
Total non-current liabilities		41,889	–
Current liabilities			
Other payables		2,280	1,605
Convertible bonds		62,582	84,547
Derivative financial instruments		–	718
Total current liabilities		64,862	86,870
Total liabilities		106,751	86,870
Total equity and liabilities		579,794	504,597

The balance sheet of the Company was approved by the Board of Directors on 29 March 2016 and was signed on its behalf

Wang Dayong
Director

Sun Zhong
Director

40 BALANCE SHEET AND RESERVES MOVEMENTS OF THE COMPANY (Continued)

Note (a) Reserves movements of the Company

	Retained earnings RMB'000	Other reserves RMB'000
At 1 January 2014	(70,898)	–
Loss for the year	(7,209)	–
Change in value of available-for-sale financial assets	–	(7,467)
At 31 December 2014	(78,107)	(7,467)
At 1 January 2015	(78,107)	(7,467)
Loss for the year	(156,608)	–
Change in value of available-for-sale financial assets	–	9,985
At 31 December 2015	(234,715)	2,518

FIVE YEARS FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	3,195	3,504	1,097	13,016	19,611
LOSS BEFORE INCOME TAX	(103,741)	(63,177)	(45,749)	(11,249)	(24,453)
Income tax (expense)/credit	(608)	6,319	(357)	1,189	615
LOSS FOR THE YEAR	(104,349)	(56,858)	(46,106)	(10,060)	(23,838)
Attributable to:					
Equity holders of the Company	(101,808)	(54,466)	(45,376)	(8,438)	(23,542)
Non-controlling interests	(2,541)	(2,392)	(730)	(1,622)	(296)
	(104,349)	(56,858)	(46,106)	(10,060)	(23,838)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	625,051	537,881	614,666	571,312	302,736
TOTAL LIABILITIES	(149,311)	(169,716)	(182,176)	(92,716)	(142,106)
NON-CONTROLLING INTERESTS	(1,631)	(4,172)	(6,564)	(7,294)	(12,272)
	474,109	363,993	425,926	471,302	148,358