Future Bright Mining Holdings Limited
高鵬礦業控股有限公司

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
(Stock Code 股份代號：2212)

2016
ANNUAL REPORT
年報

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CORPORATE INFORMATION

DIRECTORS

Executive Directors
Lee Suk Fong
Wan Tat Wai David
Zhang Decong
Zheng Fengwei

Independent Non-Executive Directors
Chow Hiu Tung
Lau Tai Chim
Sin Ka King
Tsang Hing Hung

Alternate Director
Yuan Shan *(alternate director to Zhang Decong)*

COMPANY SECRETARY

Ho Yuk Ming Hugo

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Guangdong Finance Building
88 Connaught Road West
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 718, No.189 Shuijing Road
Nanzhang County, Xiangyang City
Hubei Province, the PRC

REGISTERED OFFICE

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P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

AUDIT COMMITTEE

Tsang Hing Hung *(Chairman)*
Chow Hiu Tung
Lau Tai Chim
Sin Ka King

NOMINATION COMMITTEE

Tsang Hing Hung *(Chairman)*
Chow Hiu Tung
Lau Tai Chim
Sin Ka King

REMUNERATION COMMITTEE

Tsang Hing Hung *(Chairman)*
Chow Hiu Tung
Lau Tai Chim
Sin Ka King

AUTHORISED REPRESENTATIVES

Ho Yuk Ming Hugo
Lee Suk Fong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Company Limited

LEGAL ADVISER AS TO HONG KONG LAWS

ONC Lawyers
King & Wood Mallesons

AUDITORS

Ernst & Young

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPLIANCE ADVISER

Ample Capital Limited (since 1 May 2016)

WEBSITE

http://www.futurebrightltd.com
(information contained in this website does not form part of this report)

	2016 RMB'000	2015 RMB'000	Change
RESULTS			
Revenue	12,909	11,271	14.5%
Gross profit	9,104	7,889	15.4%
Loss before tax	(10,905)	(1,463)	(654.4%)
Income tax expense	(1,004)	(1,301)	(22.8%)
Loss attributable to owners of the Parent	(11,909)	(2,764)	325.0%
Basic and diluted loss per share	RMB0.34 cents	RMB0.08 cents	330.9%

	2016 RMB'000	2015 RMB'000	Change
KEY ITEMS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Equity attributable to owners of the Parent	85,897	95,104	(9.7%)
Total assets	100,355	107,915	(7.0%)
Net assets per share	RMB0.024	RMB0.027	(11.1%)

	2016	2015	Change
OPERATION SUMMARY			
Production volume (M^3)	1,712	7,570	(77.4%)
Sales volume (M^3)	4,134	3,127	32.2%
Average sale price, excluding VAT (RMB)	3,268	3,687	(11.4%)

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Future Bright Mining Holdings Limited (the "Company" or "Parent"), I am pleased to submit the annual report ("this report") of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 (the "Year").

During the Year, the operating revenue of the Group was approximately RMB12.91 million, representing an increase of approximately 14.53% from approximately RMB11.27 million in the last year. The loss attributable to owners of the Parent has been significantly increased to approximately RMB11.91 million for the Year (2015: loss of approximately RMB2.76 million) as a result of the increase in the operating costs such as legal fee and staff costs during the Year.

During the Year, we have been focusing on the development of the Yiduoyan Project, which is an open pit mine located in Hubei Province of the People's Republic of China (the "PRC"). In view of the slowdown in economic growth in the PRC, the Group has been slowing down the pace of development of the Yiduoyan Project. A total of 1,712 m^3 of marble blocks had already been produced and 4,134 m^3 of marble blocks had already been sold. Marble blocks mined from the Yiduoyan Project are our principal products.

Meanwhile, the Group has been actively exploring the development potentials in other related industries such as mining machinery leasing and supply chain management industries while developing the existing marble business in order to diversify its business, maintain a high-speed growth of the Group and enhance the long-term growth potential of the Company and its shareholders' value.

At present, we produce marble blocks only. Hence our major customers are most likely to be processing plants. In the longer term we may build a processing plant to produce slabs to add value to marble and provide greater flexibility in accessing markets. Moreover, we will continue to explore new investment opportunities around the PRC, hoping to further expand the Group's scale, widen its asset base and increase its profitability through mergers and acquisitions, with the aim to bring stable, long-term high returns to our shareholders.

In closing, on behalf of the Board, I would like to express my sincere gratitude to our shareholders and business partners for their continuous support and confidence in the Group. I must also thank our staff for their efforts and dedication. Our people are the backbone of our Group and the architects of our future.

Wan Tat Wai David
Executive Director

Hong Kong, 23 March 2017

FINANCIAL REVIEW

Revenue

During the Year, the Group's operating revenue was approximately RMB12.91 million, which represented an increase of approximately 14.53% as compared to the operating revenue of approximately RMB11.27 million for the year of 2015 (the "FY2015"). The revenue represented sale of marble blocks income derived from the Yiduoyan Project located in Hubei Province of the PRC.

Cost of Sales

The Group's cost of sales increased from approximately RMB3.38 million for FY2015 to approximately RMB3.81 million for the Year, representing an increase of approximately 12.51%. This increase was in line with higher sales recorded for the Year. The cost of sales represented marble blocks mining costs, which mainly included mining labour costs, materials consumption, fuel, electricity, depreciation of production equipment and amortization of mining rights.

Gross Profit and Gross Profit Margin

The gross profit of the Group amounted to approximately RMB9.10 million and the gross profit margin was approximately 70.52% for the Year, which represented an increase of approximately 15.40% as compared with gross profit for FY2015 of approximately RMB7.89 million (2015: gross profit margin of approximately 69.99%).

Other Income and Gains

Other income and gains for the Year were approximately RMB0.54 million, which represented a significant decrease of approximately RMB2.02 million as compared to the other income and gains of approximately RMB2.55 million for the FY2015. The decrease was mainly due to the decrease of government grants of approximately RMB2.00 million which was one-off benefits. Such benefits were the bonus received from the Nanzhang County Government in relation to the Company's successful listing on the Main Board of The Stock Exchange of Hong Kong Limited in the FY2015.

Selling and Distribution Expenses

Selling and distribution expenses, which mainly consisted of salaries and wages of the Group's sales and distribution staff and their entertainment and travelling expenses, were approximately RMB2.11 million for the Year (FY2015: approximately 0.76 million), representing approximately 16.33% of the revenue for the Year (FY2015: approximately 6.70%).

Administrative expenses

Administrative expenses increased by approximately RMB5.96 million or 57.46% from approximately RMB10.38 million for the FY2015 to approximately RMB16.34 million for the Year. The increase was mainly due to the fact that the Group has been actively exploring the development potentials in other related industries while developing the existing marble business in order to diversify its business, which in turn led to the significant increase in the legal and professional fee and staff costs during the Year. Administrative expenses mainly included the legal and professional fees, consultancy fees, rental and salaries of staff.

Loss attributable to owners of the Parent

In view of the above factors, loss attributable to owners of the Parent was approximately RMB11.91 million for the Year (FY2015: loss of approximately RMB2.76 million). The increase of loss was mainly resulted from the increase in the selling and distribution expenses and the administrative expenses during the Year.

Consolidated Statements of Financial Position of the Company

As at 31 December 2016, the Group had net current assets of approximately RMB38.22 million (as at 31 December 2015: net current assets of approximately RMB45.04 million) and total assets less current liabilities of approximately RMB96.89 million (as at 31 December 2015: approximately RMB105.63 million). The decrease in net assets was mainly resulted from the loss suffered by the Group for the Year.

MARKET REVIEW

In 2016, the marble industry moved forward with struggles. Although certain individual enterprises rose against the trend, the industry as a whole remained in the doldrums. Under new normal economy, the marble industry model, which was previously driven by government investment and the promotion of property industry, is facing new challenges. Enterprises in the marble industry will need to reform in terms of operation model, marketing channels and business structure.

Currently, the Chinese property industry is in downturn, while the Chinese marble industry is heading into winter. However, under the impetus of increasing investment driven by the increase in the domestic demand in China, the consumption of construction materials will rapidly increase in the next few years, which will benefit the development of marble decoration industry. In addition, with sustainable and stable economic development of China, there will be more market development potentials in China, and the momentum will be strengthened. Various infrastructure construction and national major projects in China will need plenty of marble plate materials; the marble demand for residential home decoration has been increasing for years; the exports of decorative stone plates and stone carving, stone sculpture products will continue to grow. The marble industry has a promising prospect.

The branding of marble becomes an inevitable direction of development. Marble manufacturers should actively seize the opportunities of market development by upgrading the industrial chain, followed by the direction of intensification and branding of marble materials, so as to create more room for development.

BUSINESS REVIEW

In view of the slowdown in economic growth in the PRC, we have been slowing down the pace of development of the Yiduoyan Project. During the Year, a total of 1,712 m^3 of marble blocks had already been produced and 4,134 m^3 of marble blocks had already been sold. Marble blocks mined from the Yiduoyan Project are our principal products.

On 12 May 2016, Smart Triumph Group Holdings Limited ("Smart Triumph"), a newly incorporated direct wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding to form a joint venture company (the "JVC") to engage in mining machinery leasing business and providing relevant investment management, corporate management and investment consulting services. Pursuant to the said memorandum of understanding, the initial registered capital of the JVC would be HK$1 million, of which HK$0.7 million would be contributed by Smart Triumph in cash, representing a shareholding of 70%. The proposed formation of the JVC was terminated on 30 September 2016. For details, please refer to the Company's announcements dated 12 May 2016 and 30 September 2016 respectively.

On 25 May 2016, Sun Vast Investment Development Limited ("Sun Vast"), a newly incorporated direct wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding in connection with the proposed acquisition of 51% equity interest in Shenzhen Qianhai Hai Jun Feng Tai Financial Services Co., Ltd* (深圳前海埈豐泰金融服務有限公司) ("Target Company 1"). Target Company 1, with a registered capital of RMB5 million, is principally engaged in asset management, merger and acquisition for listed companies, equity investment, provision for consultancy services associated with financing and project construction, fund establishment and innovation of financial products in the PRC. The consideration for this proposed acquisition was subject to further negotiation between the Company and the vendor, and was expected to be satisfied by the Company by cash and by way of allotment and issue of shares (the "Shares") of the Company to the vendor. The proposed acquisition was terminated on 30 September 2016. For details, please refer to the Company's announcements dated 25 May 2016 and 30 September 2016 respectively.

* *For identification purpose only*

On 10 June 2016, Express Sources Holdings Limited ("Express Sources"), a newly incorporated indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding in connection with the proposed acquisition of 51% equity interest in Chongqing Tianshan Marble Technology Co., Ltd.* (重慶天山雲石科技有限公司) ("Target Company 2"). Target Company 2, with a registered capital of RMB50 million, is principally engaged in, among other things, internet technology development and application; computer software and hardware development and application; network information technology and related product development; stone mining; and on-line sales of stone and building materials. The terms of this proposed acquisition were subject to further negotiation and the signing of a formal sale and purchase agreement within 90 days after the date of the said memorandum of understanding or such longer period as extended by mutual agreement between the parties. The proposed acquisition was terminated on 23 September 2016. For details, please refer to the Company's announcements dated 10 June 2016 and 23 September 2016 respectively.

We will increase product exposure and recognition through industry exchanges. In addition, we will be actively seeking new business opportunities from time to time and conduct selective acquisitions in order to diversify our business. We will strive to recruit more talents with extensive industry expertise to further enhance our competitiveness. Our vision is to become a well-known marble blocks supplier in the PRC.

MAJOR EXPLORATION, DEVELOPMENT AND PRODUCTION ACTIVITIES

Mineral Exploration

We have completed the mineral exploration works before the Yiduoyan marble mine of the Company commenced commercial production on 1 September 2014.

For the Year, no further mineral exploration was carried out. As a result, there was no expenditure on mineral exploration.

Development

From September 2016 to December 2016, we had completed the self-assessment and self-examination and rectification works in relation to the mine safety production standardization of third-level enterprise, and prepared a self-evaluation report. At the end of December 2016, we delivered the self-evaluation report to Xiangyang City Administration of Work Safety to ensure that we have successfully completed the extended work of safety production standardization of third-level enterprise.

Subsequent to the processing and maintenance of mine road and block transfer pad in the first half of the Year, we had successfully completed the transfer and shipment works for 4,500 m^3 of marble blocks. For the Year, the Group incurred development expenditures of approximately RMB3,000 in respect of the expansion of Yiduoyan marble mine, which mainly represented the expenditures arising from the completion of the staff accommodation facilities in 2016.

The detailed classification of development expenditures is as follows:

	RMB'000
Air conditioning of staff accommodation	3
	3

* *For identification purpose only*

Mining Operation
In 2016, we actively carried out the destocking of mine inventories. As at 31 December 2016, we had realized sales of 4,134 m^3 of marble blocks. On the basis of full preparation in the first half of the Year, we resumed production in September 2016. After a period of preparation, starting from the two mining platforms in the previous year and with careful investigation, we had eliminated all safety risks of the mining platforms and commenced official production of blocks in November 2016. For the Year, our Yiduoyan marble mine block production amounted to 1,712 m^3. It also laid a solid foundation for the full commencement of mining in the next year.

For the Year, the expenditure on mining activities of the Group was approximately RMB1,593,000. The expenditure of mining activities was approximately RMB931 per m^3 (2015: approximately RMB962 per m^3).

RESOURCE AND RESERVE

Our Yiduoyan Project is an open pit mine located in Hubei Province of the PRC. Currently, the Group holds the mining permit of the Yiduoyan Project with permitted production capacity of 20,000 m^3 per annum for a term of 10 years (which will expire on 30 December 2021 and can be extended for another 10 years to 30 December 2031 according to applicable PRC laws and regulations), covering an area of approximately 0.5209 km^2. The Yiduoyan Project contains marble resources with resource expansion potential through exploration according to the independent technical report dated 29 December 2014 (the "Independent Technical Report") prepared by SRK Consulting (Hong Kong) Limited and set out in Appendix IV to the prospectus of the Company dated 29 December 2014 (the "Prospectus").

Yiduoyan Project's marble resource statement as at 31 December 2016

Resource Category	**White marble V-1** (million m^3)	**Grey marble V-2** (million m^3)	**Total** (million m^3)
Inferred	1.8	1.5	3.3
Indicated	5.5	1.8	7.3
Total	7.3	3.3	10.6

Yiduoyan Project's marble reserve statement as at 31 December 2016

Reserve Category	**White marble V-1** (million m^3)	**Grey marble V-2** (million m^3)	**Total** (million m^3)
Probable	0.86	0.04	0.90

Notes:

(1) The above table summarizes the marble resource and reserve estimates prepared in accordance with JORC Code (2012 Edition) and are based on the Independent Technical Report.

(2) There was no material change in these estimates during the period from 30 June 2014 to 31 December 2016.

(3) Please refer to the Prospectus for the assumptions and methods used for making the above estimated resources and reserves.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 12 May 2016, Smart Triumph, a newly incorporated direct wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding to form the JVC to engage in mining machinery leasing business and providing relevant investment management, corporate management and investment consulting services. The proposed formation of the JVC was terminated on 30 September 2016.

On 25 May 2016, Sun Vast, a newly incorporated direct wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding in connection with the proposed acquisition of 51% equity interest in Target Company 1, which is principally engaged in asset management, merger and acquisition for listed companies, equity investment, provision for consultancy services associated with financing and project construction, fund establishment and innovation of financial products in the PRC. The proposed acquisition was terminated on 30 September 2016.

On 10 June 2016, Express Sources, a newly incorporated indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding in connection with the proposed acquisition of 51% equity interest in Target Company 2, which is principally engaged in, among other things, internet technology development and application; computer software and hardware development and application; network information technology and related product development; stone mining; and on-line sales of stone and building materials. The proposed acquisition was terminated on 23 September 2016.

For further details of the above proposed transactions, please refer to the Company's announcements dated 12 May 2016, 25 May 2016, 10 June 2016, 23 September 2016 and 30 September 2016, respectively.

During the Year, the Group disposed of Sun Vast Invest Development Limited, Speedy Rise Group Limited, Smart Triumph Group Holdings Limited, Powerful Rich Industrial Limited, Perfect Speed Ventures Limited and Express Sources Holdings Limited, which were previously subsidiaries held as to 100% directly or indirectly by the Company. Further details of the disposals are set out in note 25 of this report. Each of the above disposals did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules or a connected transaction of the Company under Chapter 14A of the Listing Rules.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the Year.

PRINCIPAL RISKS AND UNCERTAINTIES

Limited operating history

The Yiduoyan Project is still in the development stage where full-scale site construction is currently taking place. Our limited operating history makes the evaluation of our business and prediction of our future operating results and prospects difficult.

As a developing mining company with a limited operating history, we cannot guarantee that we will generate revenue and grow our business as planned.

Single mining project

We have only one mining project, the Yiduoyan Project. We expect the Yiduoyan Project to be our only operating mine in the near term upon which we will depend for all of our operating revenue and cash flows. The Yiduoyan Project is in a development stage where full-scale site construction is currently taking place, and its operations are subject to a number of operating risks and hazards as described below. As such, the resources of the Yiduoyan Project may not ultimately be extracted at a profit. If we fail to derive the expected economic benefits from the Yiduoyan Project due to any delay or difficulty in its development, the occurrence of any event that causes it to operate at less-than-optimal capacity or any other negative development as described below, our business, financial condition and results of operations could be materially and adversely affected.

Inherently high-risk industry

The mining industry in which we operate inherently has a high level of risk. The risk we face is an accumulated risk due to factors such as the nature of the ore body and surrounding rock, colour variation, quality variation, natural disasters, environmental, geotechnical and hydrological risks, health and safety and variations such as joints and fractures that may affect mining and processing.

Marble volume estimations are not exact calculations of the actual physical marble units but are rather an analysis of the returned results from drill core samples. In this respect, even if the sampling density is high, the sample population is still very small compared with the mass of the entire deposit. Therefore, any estimation of resource and reserve based on this sample data will have inherent errors. The final or actual mined volume may not precisely match the estimated results. In particular, in the Yiduoyan Project, the benches have provided a limited amount of information on colour and texture. Similarly, error factors exist in any calculations of capital and operating costs for the development phase of the Yiduoyan Project, as not all the parameters affecting these estimates can be accurately defined or valued for future events. Mining operation incomes are also affected by the variations of the price of marble, transport costs, fluctuations in the construction industry and other market instabilities.

Should we fail to manage the above risks or should any of the foregoing inherent risk materialise, our operation may be disrupted and we may be unable to bring the Yiduoyan Project into full-scale commercial production. In such case, our business and results of operations could be materially and adversely affected.

Limited number of customers

A limited number of customers have, historically, consistently accounted for a significant portion of our revenues. Accordingly, our success will depend on our continued ability to develop and manage relationships with significant customers, and we expect that the majority of our revenues will continue to depend on sales of our products to a limited number of customers for the foreseeable future. In the event that any of these customers are to substantially reduce the quantity of their purchase orders notwithstanding the minimum quantity they are obliged to purchase or to terminate their business relation with us entirely, our business and results of operations may be materially and adversely affected if we are unable to find substitute customers in a timely manner.

Operating risks and hazards

Our mining operations are subject to a number of operating risks and hazards, some of which are beyond our control. These operating risks and hazards include: (i) unexpected maintenance or technical problems; (ii) interruptions for our mining operations due to unfavourable weather conditions and natural disasters (such as earthquakes, floods and landslides); (iii) accidents; (iv) electricity or water supplies interruptions; (v) critical equipment failures in our mining operations; and (vi) unusual or unexpected variations in the mine and geological or mining conditions, such as instability of the slopes and subsidence of the working areas. These risks and hazards may result in personal injury, damage to, or destruction of production facilities, environmental damages and could temporarily disrupt our operations and damage to our business reputation.

Any disruption for a sustained period to the operations of our mine or production facilities may have a material adverse effect on our business, financial condition and results of operations.

For more details about the general risks and uncertainties facing the Group, please refer to the Prospectus.

In order to minimize the risk of exposure to market dynamic, we will seek to:

(i) broaden our potential customer base so that even if any of our existing customers are to terminate the sales contracts, we can obtain orders from other potential customers to replace any such lost sales on comparable terms; and

(ii) lower production rate in response to possible weakening of market demand in order to minimize our risk of exposure to market dynamic.

FUTURE PROSPECTS AND DEVELOPMENT

Our vision is to become a well-known supplier of marble blocks in the PRC. We plan to accomplish this goal by pursuing the following strategies:

Develop the Yiduoyan Project

We will continue to develop the Yiduoyan Project. However, in view of the slowdown in economic growth in the PRC, the Company has been slowing down the pace of development of the Yiduoyan Project. The Company did not carry out any exploration activities during the Year and up to the date of this report.

Develop product recognition

We believe that recognition of our marble block products among industry professionals is critical to our development and success. As such, we intend to increase exposure of our marble block products in selected trade and other high-end decorative surfacing stone magazines, as well as attend industry forums, trade fairs and exhibitions to establish communications with industry professionals, major dimension stone processors and construction and decoration companies. Moreover, to achieve further recognition of our marble block products, we plan to market our marble block products for use in landmark construction projects, such as high-end hotels and major commercial buildings, where our marble block products can be prominently displayed and showcased. In doing so, we believe that we will be able to keep abreast of the industry trends, which will enable us to strengthen our corporate profile, enhance our business and achieve product recognition among both industry professionals and end customers.

Expand our resource through further and selective acquisitions

As part of our future plans for acquisitive growth, we plan to continue to carefully evaluate and identify selective acquisition opportunities. In the long run, we intend to increase our marble resources and reserves further through the acquisition of additional mining permit of marble projects in the PRC.

SEGMENT INFORMATION

Particulars of the Group's segment information are set out in note 4 to the financial statements of this report.

LIQUIDITY, CAPITAL RESOURCES AND GEARING RATIO

During the Year, the Group's liquidity funds were primarily used to invest in the development of our mine and for its operations and such funds were funded by a combination of capital contribution by shareholders as well as cash generated from operation.

As at 31 December 2016, the Group had cash and cash equivalents of approximately RMB22.64 million which were denominated in Hong Kong dollars and Renminbi (2015: approximately RMB35.87 million).

The Group had no borrowings as at 31 December 2016, therefore the gearing ratio (defined as long term debt divided by total shareholder's equity) is not applicable. The current ratio of the Group as at 31 December 2016 was about 12.03 times as compared to 20.69 times as at 31 December 2015, based on current assets of approximately RMB41.68 million (as at 31 December 2015: approximately RMB47.32 million) and current liabilities of approximately RMB3.46 million (as at 31 December 2015: approximately RMB2.29 million).

CAPITAL STRUCTURE

During the Year, the changes of share capital structure of the Company were as follows:

At the extraordinary general meeting of the Company held on 26 May 2016, an ordinary resolution was duly passed under which each of the existing issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company as of 27 May 2016 was subdivided into ten ordinary shares of par value of HK$0.001 each (the "Share Subdivision"). The authorized and issued share capital of the Company were increased immediately after the Share Subdivision. The total number of authorised shares of the Company was increased from 8,000,000,000 ordinary shares to 80,000,000,000 ordinary shares and the total number of issued shares was increased from 352,000,000 ordinary shares to 3,520,000,000 ordinary shares.

EMPLOYEES

As at 31 December 2016, the Group employed a total of 33 full time employees in Hong Kong and the PRC. The total staff costs (including directors' emoluments) were approximately RMB6.59 million for the Year.

Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include basic salaries plus discretionary management bonus dependent on the performance of the Group and other employees' benefits including contributions to statutory mandatory provident funds for our Hong Kong employees, and social insurance together with housing provident funds for our PRC employees. Share options may also be granted to eligible employees.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2016, the Group had authorized, but not contracted for capital commitments of approximately RMB28.1 million primarily for the construction and purchase of property, plant and equipment for our development purpose.

The Group had no significant contingent liabilities as at 31 December 2016.

CHARGES ON GROUP ASSETS

The Group had no charges on the Group's assets as at 31 December 2016.

SIGNIFICANT INVESTMENTS HELD

Except for investments in the subsidiaries of the Company, the Group did not hold any significant investments during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus or this report, there was no specific plan for material investments or capital assets as at 31 December 2016.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's monetary assets and transactions are mainly denominated in Hong Kong dollars and Renminbi. The exchange rates of Renminbi against Hong Kong dollars were relatively stable during the Year. During the Year, the Group did not use financial instruments for hedging purposes. The Group continues to monitor the exposures to Renminbi and will take necessary procedures to reduce the currency risks arising from the fluctuations in exchange rates at reasonable costs.

Sound corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, and can protect the rights of shareholders and enhance the value to shareholders. The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and accountability to our shareholders. This Corporate Government Report is prepared in compliance with the reporting requirements as contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and to enhance the corporate value, accountability and transparency of the Company. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules. Except for the deviations from code provisions A.2.1 and A.4.1 of the CG Code as explained below, the Company had complied with the applicable code provisions of the CG Code during the Year. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of its business.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the period from 1 January 2016 to 4 June 2016, Mr. Zhou Tai Ping was acting as the chairman, executive Director and chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of providing the Group with strong and consistent leadership that would allow for more effective and efficient overall strategic planning of the Group. During that time, the executive function of the Company was performed by the executive Directors and management of the Company, and significant decisions of the Company were made by the Board. The Board considers that such structure did not impair the balance of power and authority between the Board and the management of the Group. On 10 June 2016, Mr. Sun Feng was appointed as an executive Director and the chairman of the Board while Mr. Au-Yong Shong, Sammel, was appointed as the chief executive officer of the Company. Since then, the roles of chairman and chief executive officer of the Group have been separated in accordance with code provision A.2.1 of the CG Code. Mr. Au-Yong resigned as the chief executive officer of the Company on 5 September 2016 and Mr. Sun resigned as the chairman and an executive director of the Company on 7 October 2016. Up to the date of this report, the casual vacancies left by the resignations of Mr. Au-Yong and Mr. Sun have not yet been filled up.

According to code provision A.4.1 of the CG Code, non-executive Directors should be appointed for specific term, subject to re-election. The non-executive Directors and independent non-executive Directors are not appointed for a specific term but they are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles").

The term of appointment of non-executive directors has been disclosed in the section headed "Directors and Directors' Service Contracts" in the report of directors of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the code of conduct with respect to the dealings in securities of the Company by the Directors as set out in Appendix 10 of the Listing Rules (the "Model Code").

Having made specific enquiry with the Directors, all the Directors confirmed that they had complied with the required standard set out in the Model Code during the Year.

BOARD OF DIRECTORS

Composition

During the Year and as of the date of this report, the composition of the Board is set out as follow:

Board Members	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Zhang Decong	Executive Director			
Mr. Yuan Shan *(alternate director to Mr. Zhang Decong)*	Executive Director			
Ms. Lee Suk Fong *(appointed on 12 April 2016)*	Executive Director			
Mr. Sun Feng *(appointed on 10 June 2016 and resigned on 7 October 2016)*	Chairman and Executive Director			
Mr. Wan Tat Wai David *(appointed on 12 April 2016)*	Executive Director			
Mr. Zheng Fengwei *(appointed on 8 December 2016)*	Executive Director			
Mr. Zhou Tai Ping *(resigned on 5 June 2016)*	Chairman and Executive Director			
Mr. Hu Jin Xiong *(resigned on 23 September 2016)*	Non-executive Director			
Mr. Li Ethan Jing *(resigned on 13 August 2016)*	Non-executive Director			
Mr. Leung Kar Fai *(resigned on 23 September 2016)*	Non-executive Director			
Mr. Tsang Hing Hung	Independent Non-executive Director	Chairman	Chairman	Chairman
Mr. Chow Hiu Tung	Independent Non-executive Director	Member	Member	Member
Mr. Lau Tai Chim	Independent Non-executive Director	Member	Member	Member
Mr. Sin Ka King	Independent Non-executive Director	Member	Member	Member

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 36 to 38 of this report. Save as disclosed therein, there are no financial, business, family or other material or relevant relationships among members of the Board.

During the Year, the Board has at all times met the requirements of Rule 3.10(1) and (2) the Listing Rules relating to the appointment of at least three independent non-executive directors (representing at least one-third of the Board), with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

Each independent non-executive Director has, pursuant to Rule 3.13 of the Listing Rules, confirmed that he is independent of the Company and the Company also considers that they are independent within the meaning of the Listing Rules.

Function

The Board, led by the Chairman, is responsible for formulation and approval of the Group's overall development and business strategies, key operational proposals, financial control procedures, material acquisition and disposal of investments, major funding decisions, financial announcements and reporting, share issuance and repurchase, nomination of directors, appointment and remuneration of key management personnel, related party transactions, ensuring appropriate human and financial resources are appropriately applied, the periodic evaluation of the performance for the achievement of results and monitoring of significant transactions to ensure they are conducted in accordance with the Articles, Listing Rules and other applicable laws and regulations.

The executive Directors are responsible for the day-to-day management of the Group's operations. These executive Directors conduct regular meetings with the senior management of the Group, at which operational issues and financial performance of the Group are evaluated.

The Articles contain description of responsibilities and operation procedures of the Board. The Board holds regular meeting to discuss and consider significant matters relating to existing operations and proposals of new operations and projects.

The chairman of the Board ensures that Board meetings are being held whenever necessary. Though the chairman is responsible for setting the Board meeting's agenda, all Board members are encouraged to participate to include matters in the agenda. The Board conducts meetings on a regular basis and extra meetings are convened when circumstances require. The Articles allow a Board meeting to be conducted by way of a tele-conference.

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies and practices on corporate governance, the training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements.

There were twenty two Board meetings being held during the Year and the attendance of individual Directors is as follows:

	Board Meetings
Executive Directors:	
Lee Suk Fong *(appointed on 12 April 2016)*	18/22
Sun Feng *(appointed on 10 June 2016 and resigned on 7 October 2016)*	5/22
Wan Tat Wai David *(appointed on 12 April 2016)*	17/22
Zheng Fengwei *(appointed on 8 December 2016)*	1/22
Zhou Tai Ping *(resigned on 5 June 2016)*	7/22
Zhang Decong	20/22
Yuan Shan *(alternate Director to Zhang Decong)*	0/22
Non-executive Directors:	
Hu Jin Xiong *(resigned on 23 September 2016)*	5/22
Li Ethan Jing *(resigned on 13 August 2016)*	9/22
Leung Kar Fai *(resigned on 23 September 2016)*	8/22
Independent Non-executive Directors:	
Tsang Hing Hung	21/22
Chow Hiu Tung	17/22
Lau Tai Chim	20/22
Sin Ka King	18/22

The attendance record of individual Directors of the extraordinary general meeting held on 26 May 2016 ("EGM") and the annual general meeting held on 7 June 2016 ("AGM") are set out below:

	AGM/EGM
Executive Directors:	
Lee Suk Fong *(appointed on 12 April 2016)*	2/2
Sun Feng *(appointed on 10 June 2016 and resigned on 7 October 2016)*	N/A
Wan Tat Wai David *(appointed on 12 April 2016)*	1/2
Zheng Fengwei *(appointed on 8 December 2016)*	N/A
Zhou Tai Ping *(resigned on 5 June 2016)*	0/2
Zhang Decong	0/2
Yuan Shan *(alternate Director to Zhang Decong)*	0/2
Non-executive Directors:	
Hu Jin Xiong *(resigned on 23 September 2016)*	0/2
Li Ethan Jing *(resigned on 13 August 2016)*	0/2
Leung Kar Fai *(resigned on 23 September 2016)*	0/2
Independent Non-executive Directors:	
Tsang Hing Hung	1/2
Chow Hiu Tung	1/2
Lau Tai Chim	1/2
Sin Ka King	0/2

Training and Support for Directors

During the Year, all the Directors have been kept abreast of their responsibilities as a Director and of the conduct, business activities and development of the Group.

Each newly appointed Director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction is normally supplemented with visits to the Group's key business sites and/or meetings with the senior management of the Company.

Under code provision A.6.5 of the CG Code, all Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for the Directors will be arranged and reading materials on relevant topics will be issued to the Directors where appropriate. All the Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Year, the Company had provided reading materials on corporate governance, directors' duties and responsibilities and regulatory update on the Listing Rules amendments to all the Directors for their reference and study.

The individual training record of each Director received for the Year is summarized below:

Name of director	Attending seminar(s)/ programme(s)/conference(s) relevant to the business or directors' duties	Reading materials
Executive Directors:		
Lee Suk Fong *(appointed on 12 April 2016)*	√	√
Sun Feng *(appointed on 10 June 2016 and resigned on 7 October 2016)*		√
Wan Tat Wai David *(appointed on 12 April 2016)*	√	√
Zheng Fengwei *(appointed on 8 December 2016)*	√	√
Zhou Tai Ping *(resigned on 5 June 2016)*		√
Zhang Decong		√
Yuan Shan *(alternate Director to Zhang Decong)*		√
Non-executive Directors:		
Hu Jin Xiong *(resigned on 23 September 2016)*		√
Li Ethan Jing *(resigned on 13 August 2016)*	√	√
Leung Kar Fai *(resigned on 23 September 2016)*		√
Independent Non-executive Directors:		
Tsang Hing Hung	√	√
Chow Hiu Tung	√	√
Lau Tai Chim	√	√
Sin Ka King		√

Responsibilities

The overall management of the Group's operation is rested in the Board. Their responsibilities include, among other things, (1) convening regular Board meetings focusing on business strategy, operational issues and financial performance of the Group; (2) monitoring the quality, timeliness, relevance and reliability of internal and external reporting of the Group; (3) monitoring and managing potential conflicts of interest of management, Board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and (4) ensuring processes are in place to maintain the overall integrity of the Group, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all applicable laws and regulations. The management is delegated with the authority and responsibility by the Board for the daily business operations and administrative functions of the Group.

Director's Responsibilities for the Financial Statement

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and to ensure that the financial statements of the Group will give a true and fair view of the Group's state of affairs, results and cash flow and are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group. In preparing the financial statements of the Group for the Year, the Directors have, among other things:

- selected suitable accounting policies and applied them consistently;
- approved adoption of all Hong Kong Financial Reporting Standards ("HKFRSs") which are in conformity with the International Financial Reporting Standards ("IFRSs"); and
- made judgments and estimates that are prudent and reasonable; and have prepared the consolidated financial statements on the going concern basis.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Delegation by the Board

The Board has established Board committees, namely audit committee, remuneration committee and nomination committee to oversee particular aspects of the Company's affairs and to assist in sharing the Board's responsibilities. All the Board committees have clear written terms of reference and have to report to the Board regularly on their decisions and recommendations. The day-to-day running of the Group, including implementation of the strategies and plans adopted by the Board and its committees, is delegated to the management with divisional heads responsible for different aspects of the business.

Audit Committee

The audit committee of the Board (the "Audit Committee") was set up on 8 December 2014 with written terms of reference, which was amended and revised on 10 December 2015 and 25 August 2016, in accordance with the requirements of the Listing Rules. The Audit Committee consists of all the independent non-executive Directors, namely Mr. Tsang Hing Hung, Mr. Chow Hiu Tung, Mr. Lau Tai Chim and Mr. Sin Ka King. It is chaired by Mr. Tsang Hing Hung.

The Audit Committee reports directly to the Board and reviews the matters relating to the relationship with the external auditors, financial information of the Company, financial reporting system, risk management and internal control systems. The Audit Committee meets with the Company's external auditors to ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company. The terms of reference of the Audit Committee are available on the Company's website and on the website of the Stock Exchange.

The Audit Committee shall meet at least four times a year. There are four Audit Committee's meetings being held during the Year. The individual attendance of each member is as follows:

Tsang Hing Hung *(chairman)*	4/4
Chow Hiu Tung	4/4
Lau Tai Chim	4/4
Sin Ka King	4/4

The members of the Audit Committee have full access to and co-operation from the management of the Group and they have full discretion to invite any Director or executive to attend the meeting. The Audit Committee had performed, among other things, the following functions during the Year: (1) reviewed external auditors' audit report and matters incidental thereto; (2) discussed the internal control system and risk management; and (3) reviewed the periodic financial statements of the Company including the 2016 interim results and made recommendation to the Board for approval.

The Audit Committee had, amongst other things, reviewed the audited results of the Group for the Year and this report.

Remuneration Committee

The remuneration committee of the Board (the "Remuneration Committee") was set up on 8 December 2014 with written terms of reference in compliance with the Listing Rules to review the remuneration package, performance-based remuneration and termination compensation of the Directors and senior management of the Group. The Remuneration Committee consists of all the independent non-executive Directors, namely Mr. Tsang Hing Hung, Mr. Chow Hiu Tung, Mr. Lau Tai Chim and Mr. Sin Ka King. It is chaired by Mr. Tsang Hing Hung.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management, to determine remuneration packages of all executive Directors and senior management including benefits in kind, pension rights and compensation payments. The Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management. The terms of reference of the Remuneration Committee are available on the Company's website and on the website of the Stock Exchange.

The Remuneration Committee shall meet not less than once a year. There are five Remuneration Committee's meetings being held during the Year. The individual attendance of each member is as follows:

Tsang Hing Hung *(chairman)*	5/5
Chow Hiu Tung	4/5
Lau Tai Chim	5/5
Sin Ka King	4/5

At the meetings held during the Year, the Remuneration Committee had, among other things, reviewed and discussed the remuneration policy, the remuneration package and bonus arrangements.

Nomination Committee

The nomination committee of the Board (the "Nomination Committee") was set up on 8 December 2014 with written terms of reference in accordance with the requirements of the Listing Rules. The Nomination Committee consists of all the independent non-executive Directors, namely Mr. Tsang Hing Hung, Mr. Chow Hiu Tung, Mr. Lau Tai Chim and Mr. Sin Ka King. It is chaired by Mr. Tsang Hing Hung.

The Nomination Committee is responsible for, among other things, the nomination of the Directors, structure of the Board, number of Directors and the composition of the Board and reviewing the Company's Board diversity policy. To maintain high quality of the Board with a balance of skill and experience, the Nomination Committee will identify individuals who fulfill the designated criteria of the Company. When assessing the quality of the individual, the Nomination Committee makes reference to his experience, qualification, integrity and other relevant factors. The terms of reference of the Nomination Committee are available on the Company's website and on the website of the Stock Exchange.

There are five Nomination Committee's meetings being held during the Year. The individual attendance of each member is as follows:

Tsang Hing Hung *(chairman)*	5/5
Chow Hiu Tung	4/5
Lau Tai Chim	5/5
Sin Ka King	4/5

At the meetings held during the Year, the Nomination Committee had, among other things: (1) reviewed the structure, size and composition of the Board; (2) reviewed the Company's Board diversity policy; (3) discussed the casual vacancies arising from resignation of Directors during the Year; and (4) assessed the independence of independent non-executive Directors.

Board Diversity Policy

The Board has adopted a Board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Selection of candidates will be based on a range of diversity perspectives as stated above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises eight Directors and one alternate Director. Four of the Directors are independent non-executive Directors and independent of the management of the Group, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of professional background or skills.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the financial statements and to ensure that the financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required under the Listing Rules.

The statement of the external auditors of the Company, Messrs. Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 58 to 61.

REMUNERATION OF EXTERNAL AUDITORS

During the Year, remuneration paid to the Company's auditors, Messrs Ernst & Young, was as follows:

Services rendered:	RMB'000
– audit services	1,050
– non-audit service	40

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the auditors during the Year.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining adequate system of internal controls and risk management within the Group and for reviewing their effectiveness. The systems of internal controls and risk management are designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. They are also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems. The Company is committed to implementing a stricter and more regulated internal control and risk management procedures in the new financial year.

In the future, the Group will conduct regular review of the Group's internal control and risk management systems and its effectiveness to ensure the interest of shareholders is safeguarded.

During the Year, the Group did not have an internal audit function but had appointed an external consultant to review the material controls of the Group on a continuous basis and aims to cover all major operations of the Group on a cyclical basis. The Board, through the Audit Committee, reviewed the appraisal performed by the external consultant on the Company's risk management and internal control systems. Based on information furnished to it and its own observations, the Board is satisfied that the present internal control and risk management systems of the Group are effective and adequate in all material respects.

SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration payment of the Group for the Year falls within the following bands:

	Number of individuals
HK$ Nil to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	1

COMPANY SECRETARY

Mr. Ho Yuk Ming Hugo is the company secretary of the Company. As at 31 December 2016, Mr. Ho had taken no less than 15 hours of relevant professional trainings to update his skill and knowledge as required under the Listing Rules. Please refer to the section headed "Biography of Directors and Senior Management" of this report for his biographical information.

COMMUNICATIONS WITH SHAREHOLDERS

The objective of shareholders' communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meetings, annual and interim reports, various notices, announcements, circulars and electronic means of communication via the Company's website.

The annual general meetings provide a useful forum for shareholders to exchange views with the Board. The chairman of the Board, Directors, Board committees' chairman or members and external auditors, where appropriate, are available to answer questions at the meetings.

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Articles, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the company secretary of the Company. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may convene a meeting in accordance with the Articles.

If any shareholder wishes to nominate a person to stand for election as a Director at general meeting, the following documents must be validly served on the Company's principal office in Hong Kong (16th Floor, Guangdong Finance Building, 88 Connaught Road West, Hong Kong) or to the branch share registrar of the Company (Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong), provided that the minimum length of the period, during which such documents are given, shall be at least seven days and that (if such documents are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such documents shall commence on the day after the despatch of the notice of a general meeting appointed for election of director and end no later than seven days prior to the date of such meeting:

(i) notice in writing signed by the shareholder of his/her intention to propose such person for election (the "Nominated Candidate");

(ii) notice in writing signed by the Nominated Candidate of his/her willingness to be elected; and

(iii) the biographical details of the Nominated Candidate as required under Rule 13.51(2) of the Listing Rules for publication by the Company.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

Address: 16th Floor, Guangdong Finance Building, 88 Connaught Road West, Hong Kong
(For the attention of the Company Secretary)
Fax: 852-2104 9060
Email: contact@fbmining.com

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by the applicable laws and regulations.

An up-to-date version of the Articles is available on the Company's website and the Stock Exchange's website.

Shareholders may refer to the Articles for further details of their rights. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.futurebrightltd.com) after the relevant general meetings.

CONSTITUTIONAL DOCUMENTS

Pursuant to the written resolutions of the shareholders of the Company passed on 8 December 2014, the Articles were approved and adopted. Since the date of listing of the shares of the Company (being 9 January 2015) and up to the date of this report, no change has been made to the Articles and the memorandum of association of the Company.

The Directors are pleased to present this annual report and the audited consolidated financial statements for the Year.

PRINCIPAL ACTIVITIES

The Company is a marble mining company and it acts as an investment holding company. The Group has been focusing on developing the Yiduoyan Project, which is an open pit mine located in Hubei Province of the PRC. The principal activities and other particulars of its subsidiaries are set out in note 1 to the audited consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the state of affairs of the Group as at 31 December 2016 are set out in the audited consolidated financial statements on pages 62 to 110 of this report.

The Directors do not recommend the payment of a final dividend for the Year.

It is proposed that the forthcoming annual general meeting of the Company will be held on Thursday, 8 June 2017 (the "2017 AGM").

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Monday, 5 June 2017 to Thursday, 8 June 2017, both days inclusive, during which period no transfer of the Shares can be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 2 June 2017.

KEY PERFORMANCE INDICATORS ("KPIS") WITH THE STRATEGY OF THE GROUP

The Group sets a number of KPIs to support the delivery of its strategies with its performance as below:

Strategy	KPIs	Performance
Maximise value for its shareholders	Gross profit margin = 70.5% (2015: 70.0%) Return on equity = -13.9% (2015: -2.9%)	During the Year, with our experienced core technical team with extensive industry and management experience and our dedicated efforts to maintain and strengthen relationships with customers, we have maintained higher gross profit margin. However, we have been actively seeking new business opportunities in order to diversity our business, which led to the rise in operating costs such as legal fee and staff costs and an increase in loss incurred for the Year when compared with the FY2015.
Enhance customers satisfaction and maintain quality control	Number of complaint from customers= 0 (2015: 0)	The Group has established its quality control team. The Group targets to maintain its zero customer complaint record.
Improve the Group's liquidity	Financing activity cash inflow = RMB0 (2015: RMB51,780,000) Cash and bank balances = RMB22,641,000 (2015: RMB35,871,000)	The Group has maintained its strong financial position for the Year. The Group targets to maintain its cash to a higher security level.
Strive for the "Zero Harm" safety goal	Number of occupational injury = 0 (2015: 0)	The Group has developed and implemented a system to monitor and record employee occupational safety statistics and provided training on production safety for its mining staff.

RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS, CONTRACTORS AND EMPLOYEES

As at the end of the Year, our major customers were processing plants and we had around 1 year business relationship with our customers. The Group's trading terms with its customers were mainly on credit. The credit period was generally two months, extending up to three months for major customers. Each customer had a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The Group will continue to maintain and strengthen its relationships with its customers through regular contacts with them. The Group will also seek to further broaden its potential customer base and business opportunities.

The suppliers of the Group mainly include suppliers for machinery, equipment and consumables used in our production process, such as diamond beaded wire lubricant, gasoline, drill rod, drill bits and parts of our equipment. Almost all of our suppliers are primarily based in the PRC. We have not signed any long-term contract with any of our suppliers. We generally do not receive any credit terms from our suppliers. It is generally accepted by our suppliers that we settle our trade balances by means of cash of bank transfer. During the Year, we did not have any material disputes with any of our main suppliers. The Group will continue to broaden its supplier network in order to enhance the stableness of our suppliers.

The Group engaged contractors for the development of the Yiduoyan Project. In selecting contractors, the Group would consider whether the contractors hold the required licences and possess the appropriate qualifications, and the terms and scope of their services including price. The Group monitors the performance of its contractors through on-site inspections and supervision while the outsourced activities are being carried out by its contractors. The Group also requests its contractors to comply with the applicable laws and regulations and safety requirements imposed by the relevant government authorities. During the Year, the Group did not have any material disputes with any of its main contractors.

The Group also maintains a very stable and experienced management team and an amicable relationship with its employees. We believe that we have maintained good relationship with our employees and our management policies, working environment, development opportunities and employee benefits have contributed to maintaining good employee relations.

During the Year, we did not experience any major labour disputes, work stoppage or labour strike or any work safety-related incidents that led to disruption to the operation of the Group, nor has the Group experienced any difficulties in the recruitment and retention of experienced staff.

ENVIRONMENTAL POLICIES

The Group places an emphasis on environmental protection in the course of its operation. We have adopted and implemented various measures on an on-going basis to minimise the impact of our operation on the environment and comply with the relevant environmental protection laws and regulations. Such measures include, inter alia, (i) restoring the land damaged by our mining activities pursuant to the relevant land rehabilitation laws and regulations; (ii) using waste rocks for the access road and transfer pad construction; (iii) reusing domestic wastes as fertilizer; (iv) collecting and treating waste water for recycling in production or for irrigation; (v) adopting wet drilling to reduce fugitive dust emission; and (vi) using low noise equipment to reduce noise emission.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular, those having significant impact on the Group. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

During the Year, the Group has complied with all applicable laws and regulations in Hong Kong and the PRC in all material aspects for the business operation of the Group. During the Year, the Group has also obtained all the material approvals, permits and licences for its current business operations.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds (the "Net Proceeds") from the listing (the "Listing") of the shares the Company on the Main Board of the Stock Exchange on 9 January 2015 (the "Listing Date"), after deducting the underwriting fees and commissions and other fees and expenses in relation to the Listing, amounted to approximately HK$56 million (equivalent to approximately RMB45 million). The Net Proceeds have been applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" contained in the prospectus of the Company dated 29 December 2014 (the "Prospectus").

Up to 31 December 2016, the Group had used the Net Proceeds as follows:

	Original allocation of Net Proceeds			Change in use of Net Proceeds (Note)		Utilisation up to 31 December 2016		Remaining balance of unused Net Proceeds as at 31 December 2016	
	HK$ 'million	RMB Equivalent 'million	% of Net Proceeds	HK$ 'million	RMB Equivalent 'million	HK$ 'million	RMB Equivalent 'million	HK$ 'million	RMB Equivalent 'million
Capital expenditure of the Yiduoyan Project	45.6	36.5	81.3%	(12.5)	(10)	11.8	9.4	21.3	17.1
Development of sales channels and marketing	5	4.1	9%	–	–	2.5	2.1	2.5	2.0
Working capital and other general corporate purposes including expenses for our day-to-day operation	5.4	4.4	9.7%	12.5	10	14	11.3	3.9	3.1
Total	56	45	100%	–	–	28.3	22.8	27.7	22.2

During the Year, the utilized Net Proceeds were approximately RMB4.5 million (details as follow) and the remaining Net Proceeds as at 31 December 2016 were approximately RMB22.2 million and they were deposited with licensed banks as saving deposits in Hong Kong and the PRC.

	Remaining Net Proceeds as at 31 December 2016 RMB'million	Net Proceeds utilized for the Year RMB'million
Capital expenditure of Yiduoyan Project	17.1	–
Development of sales channels and marketing	2.0	2.1
Working capital and other general corporate purposes	3.1	2.4
Total	22.2	4.5

Note:

On 15 July 2016, the Board had resolved to allocate not more than RMB10 million out of the unutilized proceeds originally intended for the development of the Yiduoyan Project for working capital and other general corporate purposes including expenses for our day-to-day operation. For details, please refer to the announcement of the Company dated 15 July 2016.

MAJOR CUSTOMERS AND SUPPLIERS

In 2016, the information in respect of the Group's sales and purchases attributable to the major customers and suppliers is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	57.35%	
Five largest customers in aggregate	100%	
The largest supplier		34.33%
Five largest suppliers in aggregate		90.68%

To the best of the knowledge of the Directors, none of the Directors, their respective close associates (as defined under the Listing Rules) or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

SHARE PREMIUM, RESERVES AND DISTRIBUTABLE RESERVES

As of 31 December 2016, the aggregate amount of reserves available for distribution to the equity holders of the Company amounted to approximately RMB68.29 million (2015: approximately RMB75.37 million).

Details of movements in the share premium and reserves of the Group during the Year are set out in note 24 and page 102 to the audited financial statements.

SHARE CAPITAL

Particulars of the Company's share capital are set out in note 23 to the audited financial statements.

CHARITABLE DONATIONS

Charitable and other donations made by the Group during the Year amounted to approximately HK$1 million (2015: Nil).

DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNITIES

During the Year, the Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any fraud or dishonesty.

SEGMENT INFORMATION

The segment information of the Group for the Year is set out in note 4 to the audited financial statements.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the period from 21 September to 31 December 2012 and the years ended 31 December 2013, 2014, 2015 and 2016, as extracted from the audited financial statements, is set out on page 110. This summary is for information only and does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 13 to the audited financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the Year and up to the date of this report were as follow:

Executive directors:
Lee Suk Fong *(appointed on 12 April 2016)*
Sun Feng *(appointed on 10 June 2016 and resigned on 7 October 2016)*
Wan Tat Wai David *(appointed on 12 April 2016)*
Zheng Fengwei *(appointed on 8 December 2016)*
Zhou Tai Ping *(resigned on 5 June 2016)*
Zhang Decong
Yuan Shan *(alternate Director to Zhang Decong)*

Non-executive directors:
Hu Jin Xiong *(resigned on 23 September 2016)*
Li Ethan Jing *(resigned on 13 August 2016)*
Leung Kar Fai *(resigned on 23 September 2016)*

Independent non-executive directors:
Chow Hiu Tung
Lau Tai Chim
Sin Ka King
Tsang Hing Hung

The biographical details of the Directors are set out on pages 36 to 38 of this report.

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

In accordance with article 83(3) of the Articles, any Director appointed by the Board to fill casual vacancy on the Board shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. In accordance with article 84 of the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to Article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Mr. Tsang Hing Hung will retire by rotation at the 2017 AGM pursuant to Article 84 of the Articles and will not offer himself for re-election and will therefore retire as a Director with effect from the close of the 2017 AGM. Pursuant to the Articles, Ms. Lee Suk Fong, Mr. Zheng Fengwei and Mr. Lau Tai Chim will retire from office as Directors at the 2017 AGM and, being eligible, offer themselves for re-election.

Each of the executive Directors (including Mr. Yuan Shan as an alternate Director to Mr. Zhang Decong) has entered into a service agreement with the Company and each appointment is for an initial term of three years unless terminated by either party in giving at least three months' notice in writing.

Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term commencing on the date of the letter of appointment and shall continue thereafter unless terminated by either party giving at least one month's notice in writing or equivalent payment in lieu.

Save as disclosed above, no Director proposed for re-election at the 2017 AGM has or is proposed to have a service contract with any member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

NON-COMPETITION UNDERTAKING

Future Bright International Limited ("FB International"), Easy Flourish Limited, 廣州藝成投資有限公司 (Guangzhou Yicheng Investment Limited*), Mr. Guo Xiao Ping and Mr. Hu Jin Xiong (together, the "Covenantors"), as the then controlling shareholders of the Company, had entered into a deed of non-competition in favour of the Company (the "Deed of Non-competition") on 8 December 2014.

Details of the undertakings under the deed of non-competition have been set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

On 20 December 2016, the Company was informed by FB International, that on 16 December 2016, the number of Shares held by FB International has decreased from 1,064,800,000 Shares to 175,000,000 Shares, representing a decrease of its shareholding from approximately 30.25% to 4.97% of the existing issued share capital of the Company (the "Disposal"). As a result, FB International has ceased to be a controlling shareholder of the Company after the Disposal and the Deed of Non-competition has ceased to have effect against FB International and Mr. Guo Xiao Ping.

Each of the Covenantors, except for FB International and Mr. Guo Xiao Ping, has given an annual declaration to the Company confirming that he/it has complied with the non-competition undertakings provided to the Company under the Deed of Non-Competition. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that all the undertakings thereunder have been complied with during the Year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 28 to the consolidated financial statements.

The related party transactions set out in note 28 to the consolidated financial statements constituted connected transactions of the Company but were fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, none of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

* for identification purpose only

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at any time during the Year.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed herein, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined under the Listing Rules) of the Company or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 8 December 2014 which came into effect on the Listing Date. The following is a summary of the principal terms of the Share Option Scheme:

1. **Purpose**

   The purpose of the Share Option Scheme is to enable the Company to grant options to eligible persons as incentives or rewards for their contributions to the Group.

2. **Participants**

   The Board may, at its absolute discretion, invite any full-time or part-time employees of the Group including any executive Directors, non-executive Directors and independent non-executive Directors, advisors, consultants of the Group to take up options.

3. **Total number of shares available for issue under the Share Option Scheme**

   The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the issued Shares as at the Listing Date provided that the options lapsed in accordance with the terms of the Share Option Scheme or any other share schemes of the Company will not be counted for the purpose of calculating this limit. The Company may, subject to the issue of a circular, the shareholders' approval in general meeting and/or such other requirements prescribed under the Listing Rules, refresh this limit at any time up to 10% of the Shares in issue as at the date of the shareholders' approval provided that the options previously granted under the Share Option Scheme and any other share schemes of the Company (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the limit as refreshed. The above is subject to the condition that the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time.

   As at the date of this report, the outstanding number of share options available for grant under the Share Option Scheme is 352,000,000 share options, representing approximately 9.54% of the issued share capital of the Company.

4. **Maximum entitlement of each participant**

   The total number of Shares issued and to be issued upon exercise of options granted to a participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue from time to time.

5. **Time for exercising option**
An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board to each participant provided that the period within which the option must be exercised shall not be more than 10 years from the date of the grant of option subject to the achievement of performance target and/or any other conditions to be notified by the Board to each participant, which the Board may in its absolute discretion determine.

6. **Time of acceptance and the amount payable on acceptance of the option**
The option will be offered for acceptance for a period of 28 days from the date on which the option is granted. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

7. **Basis of determining the subscription price**
The subscription price for the Shares subject to options will be a price determined by the Board and notified to each participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a day on which trading of the Company's shares takes place on the Stock Exchange (the "Trading Date"); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the options; and (iii) the nominal value of a Share.

8. **Life of the Share Option Scheme**
The Share Option Scheme became valid and effective for a period of ten years commencing on the Listing Date subject to the early termination by passing of an ordinary resolution in general meeting. After such period no further options may be granted but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of options granted prior thereto but not yet exercised, which may continue to be exercisable in accordance with their terms of issue.

During the Year and as at 31 December 2016, no options were outstanding or had been granted or agreed to be granted by the Company under the Share Option Scheme.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and short positions in Shares, Underlying Shares and Debentures of the Company

As at 31 December 2016, none of the Directors nor chief executive of the Company had registered any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) as 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 as were recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code").

Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares of the Company

So far as the Directors are aware, as at 31 December 2016, the following persons or corporations, other than the Directors or chief executive of the Company, had or were deemed or taken to have interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity and nature of interest	Number of Shares	Approximate % shareholding
Easy Flourish Limited ("Easy Flourish")	Beneficial owner	1,082,400,000 (Note 1)	30.75
Guangzhou Yicheng Investment Limited ("Guangzhou Yicheng")	Interest in controlled corporation	1,082,400,000 (Note 1)	30.75
Hu Jin Xiong	Interest in controlled corporation	1,082,400,000 (Note 1)	30.75
Chu Yuet Wah ("Ms. Chu")	Interest in controlled corporation	1,082,400,000 (Note 2)	30.75
Best Forth Limited ("Best Forth")	Interest in controlled corporation	1,082,400,000 (Note 2)	30.75
Ample Cheer Limited ("Ample Cheer")	Interest in controlled corporation	1,082,400,000 (Note 2)	30.75
Kingston Finance Limited ("Kingston")	Security interest	1,082,400,000 (Note 2)	30.75
Wu Lianmo	Beneficial owner and interest in controlled corporation	352,660,000 (Note 3)	10.01
Kai De International Holding Limited	Beneficial owner	350,000,000 (Note 3)	9.94
China Taihe Group Limited	Beneficial owner	320,000,000 (Note 4)	9.09
Zhang Bi Hua	Beneficial owner and interest in controlled corporation	425,900,000 (Note 4)	12.10

Notes:

1. These Shares are registered in the name of Easy Flourish Limited, the issued capital of which is owned as to 80% by Guangzhou Yicheng and 20% by Ms. Jiang Miner. The equity interest of Guangzhou Yicheng is owned as to 62.5% by Mr. Hu Jin Xiong, 25% by Ms. Xu Hong and 12.5% by Mr. Chen Wei Ming. Under the SFO, Mr. Hu Jin Xiong and Guangzhou Yicheng are deemed to be interested in all the Shares registered in the name of Easy Flourish Limited.

2. Easy Flourish, a controlling shareholder of the Company, has executed a share charge over 1,082,400,000 shares held by it in favor of Kingston, a licensed money lender in Hong Kong, as security for a term loan facility granted to Easy Flourish. As a result, Kingston is interested in an aggregate of 1,082,400,000 Shares by way of security interest over such shares. Kingston is wholly-owned by Ample Cheer, which is in turn owned by Best Forth as to 80%. Best Forth is wholly owned by Ms. Chu. Under the SFO, Ample Cheer, Best Forth and Ms. Chu are deemed to be interested in all the Shares in which Kingston is interested.

3. These 352,660,000 Shares included (i) 2,660,000 Shares owned by Mr. Wu Lianmo as beneficial owner and (ii) 350,000,000 Shares indirectly held though Kai De International Holding Limited, a company wholly owned by Mr. Wu Lianmo.

4. These 425,900,000 Shares included (i) 105,900,000 Shares owned by Ms. Zhang Bi Hua as beneficial owner and (ii) 320,000,000 Shares indirectly held though China Taihe Group Limited, a company wholly owned by Ms. Zhang Bi Hua.

All the interests stated above represent long positions. As at 31 December 2016, no short position were recorded in the register kept by the Company under Section 336 of the SFO.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2016.

MANAGEMENT CONTRACTS

There is no contract entered into by the Company relating to its management and administration of the entire or any substantial part of the business of the Group.

EMOLUMENT POLICY AND REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The emolument policy of the employees of the Group is determined by the Board on the basis of their merit, qualifications and competence.

The employees of the subsidiaries in the PRC are required to participate in a defined central pension scheme managed by the local municipal government of the areas in the PRC in which they operate. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. Under the MPF System the Hong Kong employees are required to make regular mandatory contributions calculated at 5% of the employee's relevant income to an MPF scheme, subject to the minimum and maximum relevant income levels. No forfeited contribution is available to reduce the existing level of contributions for the defined contribution scheme.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of which are set out in the paragraph headed "Share Option Scheme" above.

The emoluments of the Directors are decided by the Board and the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Details of the Directors' remuneration and the five highest paid individuals are set out in notes 8 and 9, respectively, to the audited financial statements.

No Director has waived or has agreed to waive any emolument during the Year.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code in Appendix 14 to the Listing Rules during the Year, except for code provisions A.2.1 and A.4.1 as set out above. Details of the corporate governance of the Company are set out in the Corporate Governance Report on pages 13 to 22.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed minimum public float under the Listing Rules during the Year and at any time up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to its shareholders by reason of their holding of the shares of the Company.

BUSINESS REVIEW AND PRINCIPAL RISKS AND UNCERTAINTIES

The business review of the Group for the Year, an indication of likely future developments in the Group's business and the principal risks and uncertainties facing the Group are included in the "Management Discussion and Analysis" in this report on page 5 to 12. Those discussions form part of this Report of the Directors.

EVENTS AFTER THE REPORTING PERIOD

Placing of new shares under general mandate

On 26 January 2017, Kingston Securities Limited (the "Placing Agent") and the Company entered into a placing agreement (the "Placing Agreement") pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 176,000,000 placing shares (the "Placing Shares") to expected to be not less than six placees who and whose ultimate beneficial owners shall be independent third parties (the "placees") at the placing price of HK$0.205 per Placing Share. The Placing Shares would be issued under the general mandate granted to the Directors by resolution of the Shareholders passed at the annual general meeting of the Company held on 7 June 2016.

All conditions of the Placing Agreement had been fulfilled and the completion of Placing took place on 16 February 2017 in accordance with the terms and conditions of the Placing Agreement. A total of 170,000,000 Placing Shares had been successfully placed by the Placing Agent to not less than six Placees at the placing price of HK$0.205 per Placing Share pursuant to the terms and conditions of the Placing Agreement. Details of the Placing Agreement were set out in the announcements of the Company dated 26 January 2017 and 16 February 2017.

Establishment of JV Company in Xiamen, Fujian Province, the PRC

On 5 April 2017, Future Bright (H.K.) Investments Limited ("Future Bright (H.K.)"), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "Joint Venture Agreement") with Xiamen Huan Shuo Trading Company Limited* (廈門環碩貿易有限公司) ("Xiamen Huan Shuo") in relation to the establishment of a JV company in Xiamen, Fujian Province, the PRC (the "JV Company") with a registered capital of RMB23,000,000 to engage in the wholesale of non-metallic ore, mineral products and construction materials and the retail sale of ceramic and stone decoration materials. Pursuant to the terms of the Joint Venture Agreement, Xiamen Huan Shuo and Future Bright (H.K.) will contribute RMB9,200,000 and an amount in United States dollars or Hong Kong dollars equivalent to RMB13,800,000 respectively to the registered capital of the JV Company which will be owned as to 40% by Xiamen Huan Shuo and 60% by Future Bright (H.K.). For details, please refer to the Company's announcement dated 5 April 2017 and 7 April 2017.

Except as disclosed in this report, since 31 December 2016 and up to the date hereof, no important events has occurred affecting the Group.

AUDITORS

The consolidated financial statements of the Group for the Year have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment at the 2017 AGM. A resolution will be submitted to the 2017 AGM to re-appoint Messrs. Ernst & Young as auditors of the Company.

The Company has not changed its external auditors during each of the years ended 31 December 2014, 2015 and 2016.

On behalf of the Board

Wan Tat Wai David
Executive Director
Hong Kong, 23 March 2017

* for identification purpose only

EXECUTIVE DIRECTORS

Ms. Lee Suk Fong, aged 33, was appointed as an executive Director on 12 April 2016. Ms. Lee joined the Group and was appointed as an assistant to the Directors on 29 October 2015. Ms. Lee obtained a Bachelor of Science degree in economics and finance from The Hong Kong University of Science and Technology in 2005. She is experienced in sales and management. Ms. Lee is the founder of Liberal Arts Culture Limited, a company incorporated in Hong Kong in 2009 and is principally engaged in the provision of education services, and has been its director since its establishment. From November 2015 to May 2016, Ms. Lee was appointed as an independent non-executive director of Glory Flame Holdings Limited (stock code: 8059), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Wan Tat Wai David, aged 57, was appointed as an executive Director on 12 April 2016. Mr. Wan holds a bachelor's degree in chemistry and a master degree in business administration from The University of Hong Kong. Mr. Wan started off his career in the marketing field in 1983 specializing in sales and marketing of personal computers. He joined the Hong Kong Police Force in 1986 in the rank of police inspector and was promoted to the rank of chief inspector in 1996. He has over 28 years of experience in internal supervision and management in various police departments. He also holds an executive diploma in legal risk for enterprise risk management from the School of Professional and Continuing Education of The University of Hong Kong. Since July 2015, Mr. Wan has been the chief operation officer of China Baoli Technologies Holdings Limited (formerly known as REX Global Entertainment Holdings Limited) (stock code: 164), the shares of which are listed on the Main Board of the Stock Exchange. Since September 2016, Mr. Wan has been an independent non-executive director of King Force Group Holdings Limited (stock code: 8315), a company mainly engaged in the provision of security guarding services and mobile game business and listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Zheng Fengwei, aged 30, was appointed as an executive Director on 8 December 2016. Mr. Zheng graduated from Zhuhai College of Jilin University* (吉林大學珠海學院) with a bachelor's degree in logistics management and a second bachelor's degree in business English in 2009. He was certified as a logistician by China Federation of Logistics & Purchasing* (中國物流與採購聯合會) and National Logistics Standardization & Technology Committee* (全國物流標準化技術委員會) in 2008. Mr. Zheng has extensive experience in financial management and corporate finance. He worked as an account manager at Shenzhen Moyin Financial Management Limited* (深圳市摩銀投資管理有限公司) from August 2008 to October 2010. From October 2010 to January 2015, he held the position of general manager at Fifth Season International Petrochemical (Shenzhen) Limited* (第五季國際石化(深圳)有限公司). From January 2015 to August 2015, he held the position of manager at Kairuide (Shenzhen) Fund Management Limited* (凱瑞德(深圳)基金管理有限公司). He was appointed as a director of Hongkai International Financial Holding Shenzhen Limited* (鴻凱國際金融控股(深圳)有限公司) and a vice president of Beijing Securities Limited, respectively, from August 2015 to July 2016 and from July 2016 to November 2016.

Mr. Zhang Decong, aged 76, joined the Group in September 2013 as an executive Director, Chief Engineer and head of the technology and production department of the Group. He is mainly responsible for mining and production, evaluating mining policies, managing mine resources exploration and extraction activities, providing technical guidance on production and overseeing production safety at the Yiduoyan Project on a full-time basis. After graduation from the Beijing Architecture and Construction Industry College in the PRC majoring in mining, Mr. Zhang has approximately 30 years of experience in the mining industry, in particular, production, mining technology and mine site management of various dimension stone projects in the PRC with mining process similar to the Yiduoyan Project.

* *for identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Tai Chim, aged 65, was appointed as an independent non-executive Director on 8 December 2014. Mr. Lau was admitted as a solicitor in Hong Kong in March 1984 and has been a solicitor practising law since May 1986. He is the founder and managing partner of T.C. Lau & Co. From March 2001 to September 2004, Mr. Lau was appointed as an independent non-executive director of Kingboard Chemical Holdings Limited, a company mainly engaged in the manufacturing and sale of, among other things, printed circuit boards, chemicals, liquid crystal displays and magnetic products and listed on the Main Board of the Stock Exchange (stock code: 148). From April 2002 to September 2010, Mr. Lau was appointed as an independent non-executive director of Warderly International Holdings Limited (currently known as Fullshare Holdings Limited), a company incorporated in Cayman Islands and mainly engaged in property development and listed on the Main Board of the Stock Exchange (stock code: 607).

Mr. Sin Ka King, aged 33, was appointed as an independent non-executive Director on 8 December 2014. From July 2010 to October 2011, Mr. Sin was the investor relations executive mainly responsible for managing the relationship with the company's investors at Kingboard Chemical Holdings Limited, a company mainly engaged in the manufacturing and sale of, among other things, printed circuit boards, chemicals, liquid crystal displays and magnetic products and listed on the Main Board of the Stock Exchange (stock code: 148). From October 2011 to March 2012, Mr. Sin was the investor relations officer mainly responsible for managing the investors relations at Hopewell Holdings Limited, a company mainly engaged in infrastructure construction and listed on the Main Board of the Stock Exchange (stock code: 54). From May 2012 to August 2014, Mr. Sin worked as an officer of the energy team of NWS Infrastructure Management (HK) Limited, a company engaging in the field of infrastructure construction and facilities management where he was mainly responsible for handling financial analysis of energy projects in the PRC. Mr. Sin was a financial analyst responsible for financial analysis at HKT Service Limited, a company engaging in the provision of telecommunication services and a subsidiary of a company listed on the Main Board of the Stock Exchange (stock code: 6823) from August 2014 to November 2016. Currently, Mr. Sin is a financial analyst of Hysan Development Company Limited, a company engaging in property development and listed on the Main Board of the Stock Exchange (stock code: 14).

Mr. Sin graduated from the Hong Kong University of Science and Technology with a bachelor degree of engineering in mechanical engineering in November 2007 and obtained a master degree of science in mathematics for finance and actuarial science in July 2009 awarded jointly by the City University of Hong Kong and Paris Dauphine University.

Mr. Sin was admitted as a Certified Financial Risk Manager by the Global Association of Risk Professional in December 2012 and he was also admitted as a Chartered Financial Analyst by CFA Institute in April 2014.

Mr. Chow Hiu Tung, aged 45, was appointed as an independent non-executive Director on 8 December 2014. Mr. Chow has approximately 20 years of experience in accounting and internal control. Prior to joining the Group, Mr. Chow worked at KPMG from August 1995 to January 2000 as an assistant audit manager participating in the execution of audit plans. From October 2004 to June 2011, Mr. Chow worked at Best Power Holdings (HK) Limited, a company mainly engaged in logistic activities where his last position was the chief financial officer responsible for managing the financial affairs of the company. Mr. Chow was the chief financial officer from August 2011 to December 2013 and was the company secretary from August 2011 to May 2013 of Flying Financial Service Holdings Limited, a company mainly engaged in the provision of financial services and listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8030). From October 2013 to March 2015, Mr. Chow was an independent non-executive director of National United Resources Holdings Limited, a company mainly engaged in the business of media and advertising and listed on the Main Board of the Stock Exchange (stock code: 254).

Mr. Chow graduated from the Hong Kong University of Science and Technology with a bachelor degree of business administration in finance in November 1995 and obtained a master degree of international business in December 2001 from the University of Sydney, Australia. Mr. Chow has been a member of the Hong Kong Institute of Certified Public Accountants since January 1999. Mr. Chow has been a member of the Association of Chartered Certified Accountants since April 2000 and was admitted as its fellow member in April 2005. Mr. Chow has been a member of the Information Systems Audit and Control Association since September 2005.

Mr. Tsang Hing Hung, aged 48, was appointed as an independent non-executive Director on 10 December 2015. Mr. Tsang has over 20 years of experience in strategic management, corporate finance, investor relations, accounting and finance. He holds master's degrees with distinction in surveying and strategic focus awarded by the University of Reading and Heriot-Watt University respectively. He also holds bachelor's degrees in laws and social sciences with honours awarded by the University of London and the University of Hong Kong respectively. Mr. Tsang is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Association of Corporate Treasurers; and a member of the Institute of Chartered Accountants in England and Wales, and the American Institute of Certified Public Accountants. He is also a chartered financial analyst of the CFA Institute, a certified financial risk manager of the Global Association Risk Professionals, a project management professional of the Project Management Institute, and a certified tax adviser of the Taxation Institute of Hong Kong. Mr. Tsang was the Chief Financial Officer of I.T Limited (stock code: 999), and the Corporate Finance Director of K. Wah International Holdings Limited (stock code: 173). He also joined The Hongkong and Shanghai Hotels, Limited (stock code: 45), with the last position as General Manager, Corporate Finance and Treasurer, for more than 13 years. Mr. Tsang was the Chairman of International Group of Treasury Associations in 2012; and has been a member of Corporate Finance Committee of the Hong Kong Institute of Certified Public Accountants since 2012. As of the date of this annual report, save as disclosed above, Mr. Chow did not hold directorship in other listed public companies in the past three years.

SENIOR MANAGEMENT

Mr. Yuan Shan, aged 61, is the deputy chief engineer and the safety manager of our Group. Mr. Yuan was also appointed as the alternate Director to Mr. Zhang Decong, our executive Director, on 8 December 2014. He joined our Group in March 2014, primarily responsible for devising workflow of the overall mining process, providing technical support on mine construction, overseeing production safety and the environmental protection aspects of the mining process, providing technical support during mine construction and providing training to miners at our Yiduoyan Marble. Mr. Yuan graduated from Hubei Architecture Institute (currently known as Wuhan University of Technology) specialising in mining at its non-metallic mine department in October 1976. Mr. Yuan has approximately 30 years of experience in the mining industry, in particular, mine design and production process management of various dimension stone mining projects with similar open-pit mining process as our Yiduoyan Project. As of the date of this annual report, Mr. Yuan did not hold directorship in other listed public companies in the past three years.

Mr. Liu Zhanghui, aged 39, is currently the mine head of our Yiduoyan Project. He has approximately ten years of experience in extraction activities and production safety. Mr. Liu joined our Group in February 2012 and was appointed as the mine head of our Yiduoyan Project in June 2012. He is the key on-site person-in-charge of the daily operation of our Yiduoyan Project. Mr. Liu is primarily responsible for the setting up and management of mining production team, execution of mining plans, supervision and management of production activities, providing technical support and training to technical personnel for extraction activities, as well as overseeing production safety. Mr. Liu graduated from China Three Gorges University in July 2005.

Mr. Ho Yuk Ming, Hugo, aged 45, was appointed as the chief financial officer of our Group on 11 April 2014 and as the company secretary of our Company on 26 September 2014. Mr. Ho is responsible for accounting, financial reporting and internal control procedures of our Group. He has over 18 years of experience in auditing, accounting and financial management and has been a certified public accountant in Hong Kong for over 16 years. Mr. Ho held senior positions in a number of listed companies in Hong Kong prior to joining the Group. Mr. Ho is an associate member of the Hong Kong Institute of Certified Public Accountants. He graduated from the Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) with a honours diploma in accounting in July 1996. Currently, Mr. Ho is an independent non-executive director of Wuxi Sunlit Science and Technology Company Limited* (無錫盛力達科技股份有限公司) (Stock code: 1289), Zuoli Kechuang Micro-finance Company Limited* (佐力科創小額貸款股份有限公司) (Stock code: 6866) and King Force Group Holdings Limited (Stock code: 8315) respectively.

* *For identification purpose only*

1. ABOUT THIS REPORT

- **Overview**
  This report is the first environmental, social and governance report (ESG Report) issued by Future Bright Mining Holdings Limited, which focuses on the disclosure of information on the economic, social and environmental performance of the Company for the period from 1 January 2016 to 31 December 2016 (the "Reporting Period").

- **Compiling Basis**
  This report mainly makes reference to the revised Environmental, Social and Governance Reporting Guide issued by the Hong Kong Stock Exchange in December 2015.

  The contents of this report are determined based on a set of systematic procedures. Such procedures include: identifying and prioritizing key stakeholders, identifying and prioritizing materiality relating to ESG, determining report boundary, collecting relevant materials and receipts, compiling information based on data, and reviewing information in the report.

- **Reporting scope and boundary**
  The policies, statements and materials in this report cover the corporate headquarters and the following subsidiary of the Company: Xiangyang Future Bright Mining Limited.

- **Explanation for abbreviations**
  In order to facilitate the presentation and reading, for the purpose of this report, each of the "Company", "Future Bright" and "we" refers to Future Bright Mining Holdings Limited.

- **Source and reliability assurance**
  The information and cases in this report are mainly from the statistic records and relevant documents of the Company. The Company undertakes that this report contains no false statements or misleading statements and is responsible for the truthfulness, accuracy and completeness and its contents.

- **Confirmation and approval**
  Recommendation: This report was approved by the Board on 23 March 2017 following the confirmation by the management.

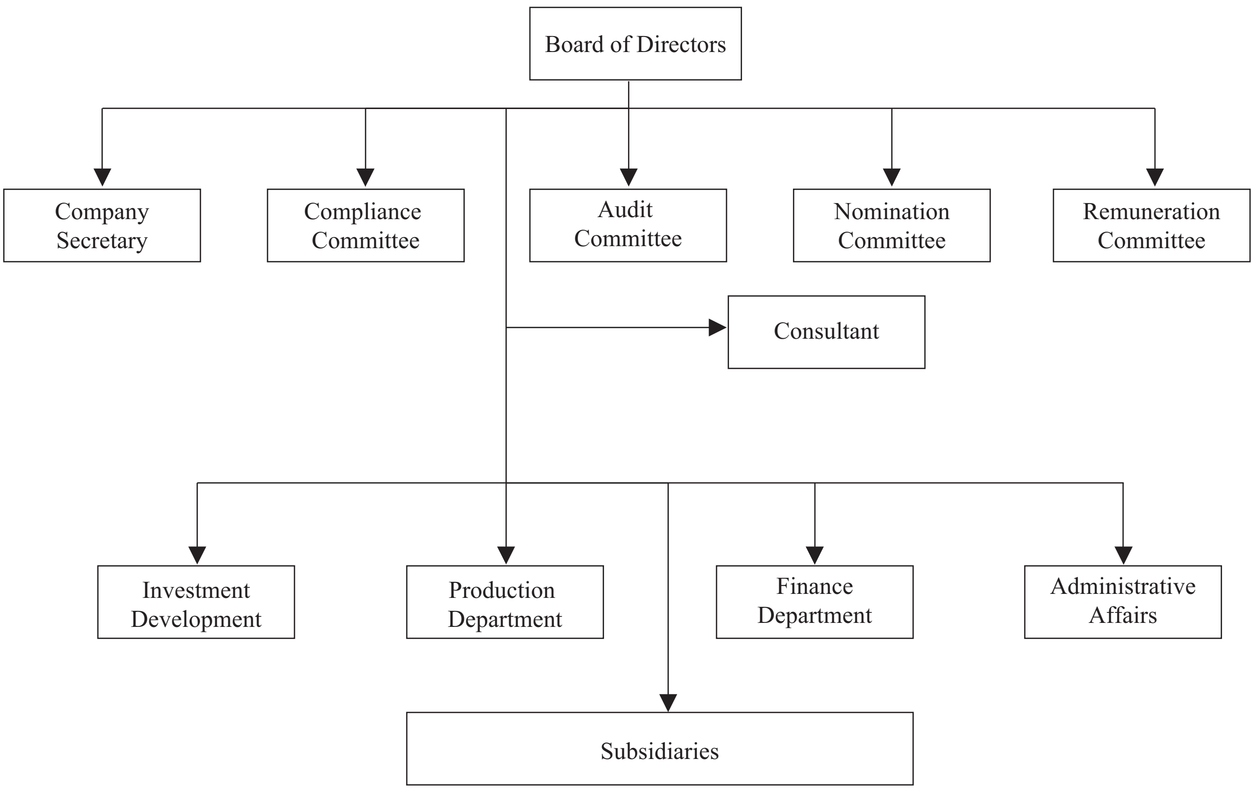
- **Availability of and response to this report**
  This report is available in both Traditional Chinese and English versions for readers' reference. The electronic version of the report is available on the official website of the Company.

2. RESPONSIBILITY GOVERNANCE

In the first environmental, social and governance report for Future Bright, we will make a public and detailed disclosure and elaboration of the environment, social, governance and other non-financial matters of the Company, so that the public can have more in-depth understanding of the business philosophy of Future Bright and the Company can review its own performance in terms of environmental and social responsibility. In order to enable Future Bright to establish long-term systems for its environmental and social governance and become an enterprise which is more respected by the public, we hereby announce our responsibility system for governance.

2.1. Overall Structure of the Company

In order to effectively implement the Company's operation management, the setting of its management structure is shown as follows:



2.2. ESG Governance Structure

In order to effectively implement Future Bright's ESG measures, we have established an ESG Committee on the basis of the overall structure of the Company to be responsible for the development of ESG strategies and objectives. An ESG working group has been set up under the ESG Committee, which is led by the company secretary of the Company and responsible for collecting ESG-related information and preparing the ESG report. The ESG Committee regularly reports to the Executive Committee and the Board of Future Bright in order to assist them in assessing and determining whether the risk management and internal control system of the Company relating to environmental, social and governance matters is appropriate and effective. The division of their roles and responsibilities is shown as follows:

Board of Future Bright

- Be responsible for assessing and determining the Company's risks relating to environment, social and governance
- Ensure that the Company has in place an appropriate and effective risk management and internal control system relating to environmental, social and governance matters
- Review and approve environmental, social and governance policies
- Review and approve the environmental, social and governance report

Executive Committee of Future Bright

- Implement environmental, social and governance risk management and internal control
- Guide the work of the environmental, social and governance working group
- Review and approve environmental, social and governance policies
- Review and approve the environmental, social and governance report, and confirm the accuracy of information on performance indicators

Environmental, social and governance working group of Future Bright

- Designate specific persons to be responsible for the collection of ESG-related information and the preparation of the ESG report
- Regularly report to the Executive Committee and the Board of Future Bright in order to assist them in assessing and determining whether the environmental, social and governance risk management and internal control system of the Company is appropriate and effective

2.3. ESG Governance Philosophy

In its corporate culture, the Company has always treat "quality-oriented, integrity, enthusiasm" as its purpose of development. As for environmental protection, the Group pays attention to protecting the environment during its process of operation. We have adopted and continued to implement a number of measures to minimize the impact of our business operations on the environment and comply with the relevant environmental laws and regulations. Details of these measures are described in the section headed "6. Green And Environmental Protection" of the ESG report.

2.4. Identification of and Communication with Stakeholders

Future Bright has always been committed to establishing a wide range of communication channels with stakeholders. We believe that transparency and regular communication will help maintain a harmonious relationship with all stakeholders and strengthen mutual trust and respect, which will lay a solid foundation for the sustainable development of Future Bright. We categorize the stakeholders into the following groups based on the degree of their decision-making power in or impact for Future Bright and their relationship with Future Bright (such as having contractual relationship or regional connection):

- Employees
- Shareholders/investors
- Customers
- Government authorities
- Suppliers
- Community
- Media

We actively communicate with different stakeholders to understand their concerns and regularly review the effectiveness of such measures to improve the communication channels and more comprehensively reflect the views of stakeholders. The table below lists out the topics of concern for different stakeholder groups during the Reporting Period.

Groups of stakeholders	Material aspects	Communication channels/ feedback methods
Employees	Production safety Staff welfare	– Staff performance appraisal interview – Internal publications (newspapers, magazines)
Shareholders/investors	ESG Governance Environmental Protection	– General meetings/special general meetings – Investor meetings – Performance conferences – Press releases/announcements – Field research
Customers	Product responsibility Environmental Protection	– Field research – Tender
Government authorities	Production safety Environmental Protection	– Field research – Interviews
Suppliers	Supply chain management requirements Product responsibility	– Field research – Interviews
Community/organizations/ non-governmental organizations	Environmental Protection Product responsibility	– Field research – Interviews
Media	Environmental Protection Production safety	– Press releases/announcements – Meetings

2.5. ESG Honours

The Company attaches great importance to ESG-related works and has strong performance in the relevant areas. For instance, the Company is highly recognised by the government and relevant authorities in respect of production safety and brand image. We won the 2012 Advanced Production Safety Unit Award and was ranked among China's Top Ten Brands for Stone Industry. Details are set out below.

No.	Year of ward	Issuer	Awards
1	2012	CCP Xiaoyan Township Committee Xiaoyan Township People's Government	2012 Advanced Production Safety Unit
2	2012	Nanzhang County People's Government	2012 Advanced Production Safety Unit
3	Until July, 2015	Zhong Pin Ping (Beijing) Brand Management Consulting Centre (中品評(北京)品牌管理管理中心) China Quality Brand Survey Organizing Committee (中國品質品牌調查測評組委會) Beijing Zhong Biao Ping Credit Evaluation Centre (北京中中標信用評价中心)	China's Top Ten Brands for Stone Industry

2.6. Anti-corruption Mechanism

In order to prevent fraud, strengthen corporate governance and internal control, reduce corporate risk, standardize business practices, safeguard the legitimate rights and interests of the Company, ensure the achievement of its operational goals and its sustained, stable and healthy development, improve employees' awareness of maintaining internal justice within the Company in accordance with the laws and regulations, encourage employees to report in a responsible and effective manner within the Company without worrying about retaliation or harm, Future Bright has developed anti-fraud policies and reporting fraud policies in view of its actual situations.

Future Bright's anti-corruption mechanism specifies clear channels and procedures for reporting fraud, sets out the methods of fraud investigation, the measures to prevent fraud and the relevant punishment, and requires the protection of employee safety and confidentiality of information as well as regular assessment of fraud risk.

Future Bright attaches great importance to the development of anti-corruption mechanism and carries out regular relevant training in daily work. The training on laws and regulations, professional ethics, anti-fraud as well as honesty and moral education training within the Company is mainly conducted through employee handbook, corporate rules and regulations, emails, publicity and local area network. At the training sessions, employees are taught how to distinguish between lawful and illegal, honest and non-honest behaviours, and how to correctly handle the conflicts of interest, the temptation of improper interests at work. Information promoting compliance and honesty are conveyed in proper forms to all stakeholders having direct or indirect relationship with the Company, including external stakeholders (customers, suppliers, regulatory agencies and shareholders).

Future Bright also issues to its directors and management guidance and warning relating to anti-corruption. In order to ensure compliance with the anti-corruption requirements of the Hong Kong Independent Commission Against Corruption and establish good internal control and monitoring, the Company issued integrity management audit requirement in respect of inventory management and procurement.

During the Reporting Period, we have not identified any misconduct relating to conflicts of interest, fraud and commercial bribery.

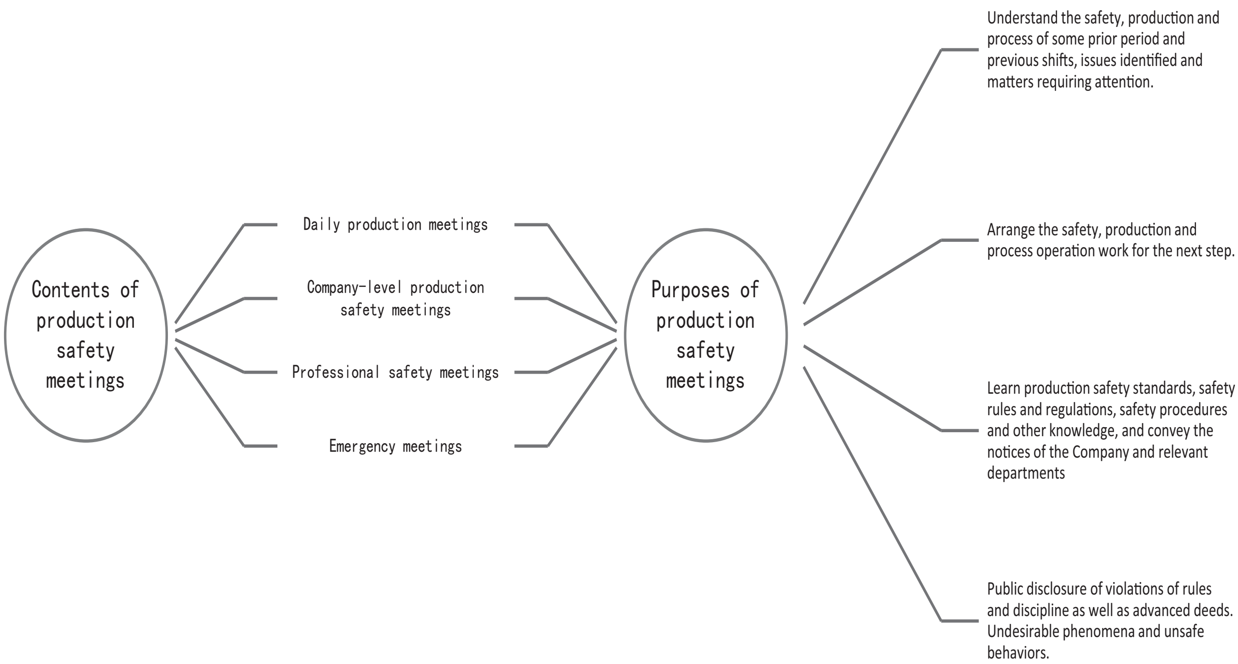
3. SAFETY AND HEALTH

Occupational health and safety of employees is the primary responsibility of Future Bright. We stick to a safety management policy of "safety first, focusing on prevention and continuous improvement". During the Reporting Period, we had complied with all the applicable laws and regulations in Hong Kong and the PRC in respect of our business operation in all material respects and hold existing valid approvals, permits and licenses for all of our business operations.

3.1. Production Safety

In accordance with the Production Safety Law of the People's Republic of China, the Mine Safety Law of the People's Republic of China and other relevant laws and regulations and standards, Future Bright has developed clear safety policies and management rules in order to incorporate safety management into every detail of its operation and ensure its production and operation is in compliance with laws and regulations.

We attach importance to the prevention of safety risks at the production line and conduct comprehensive control of production safety risks by prior analysis, in-depth process control and inspection and supervision.



In order to timely understand production safety situations, strengthen production safety management, implement preventive measures and ensure production safety, a production safety meeting system is implemented at all levels of Future Bright to conduct dynamic analysis and discussion of sites risks and develop control measures, so as to eliminate hidden dangers at the source.

We have adopted strict safety regulations for the operation process and have developed a number of safety operation and management practices for special equipment such as excavators and rock drills. For fire-fighting management, the Company sticks to a policy of "safety first, focusing on prevention", whereby whoever in charge shall be responsible. The fire-fighting work of the Company is led by a deputy general manager who conducts active publicity and management of fire safety. Heads of departments are the direct responsible persons of various departments and responsible for the fire management work of each department, which are supported by security officers. Furthermore, the Company arranges regular training for its staffs in order to help them master the requirements relating to prevention and fighting against fires and how to use firefighting equipments, so that they will be able to carry out fire prevention inspections and fight fires.

In order to ensure the effective implementation of safety regulations, we have hired sufficient full-time security officers to supervise on-site work. Through the equipment inspection system, reasonable arrangements are made in respect of the frequency and focus of inspections, and special safety inspections and regulation are conducted on a regular and ad-hoc basis.

Future Bright treats accident maintenance, technical issues, terrible weather conditions, power interruption as the primary risks affecting its business and reputation. In order to fully protect production safety, Future Bright has established a comprehensive emergency plan and special plans for a series of these production safety risks to timely and effectively organize emergency rescue operations for major production safety accidents occurred in the mining area and ensure it has the ability to quickly respond and handle the accidents.

During the Reporting Period, there is no work injuries or deaths due to work injury.

3.2. Occupational Health

Future Bright has developed a series of documents relating to occupational health management procedures, covering standard operation to protect employees' occupational health in the process of drilling, loading, transport, air compression operation and cutting marble. As our scope of production expands, we have developed and implemented a system to monitor and document the occupational health and safety information of employees as well as tracking the occupational health of employees on a regular basis.

We strictly implement a system of pre-job, on-the-job and post-job occupational health examination system and strictly abide by regular on-the-job occupational health examination requirements. In addition, we provide a monthly medical allowance and occupational disease prevention fee in the sum of RMB250 per capita based on the individual needs of employees.

4. EMPLOYEE CARE

The Company has a total of 33 employees, including 19 formal employees and 6 temporary employees of Xiangyang Future Bright Mining Limited. Future Bright has made a lot of efforts to support the development of employees, ensure work safety and improve employee satisfaction.

4.1. People-oriented

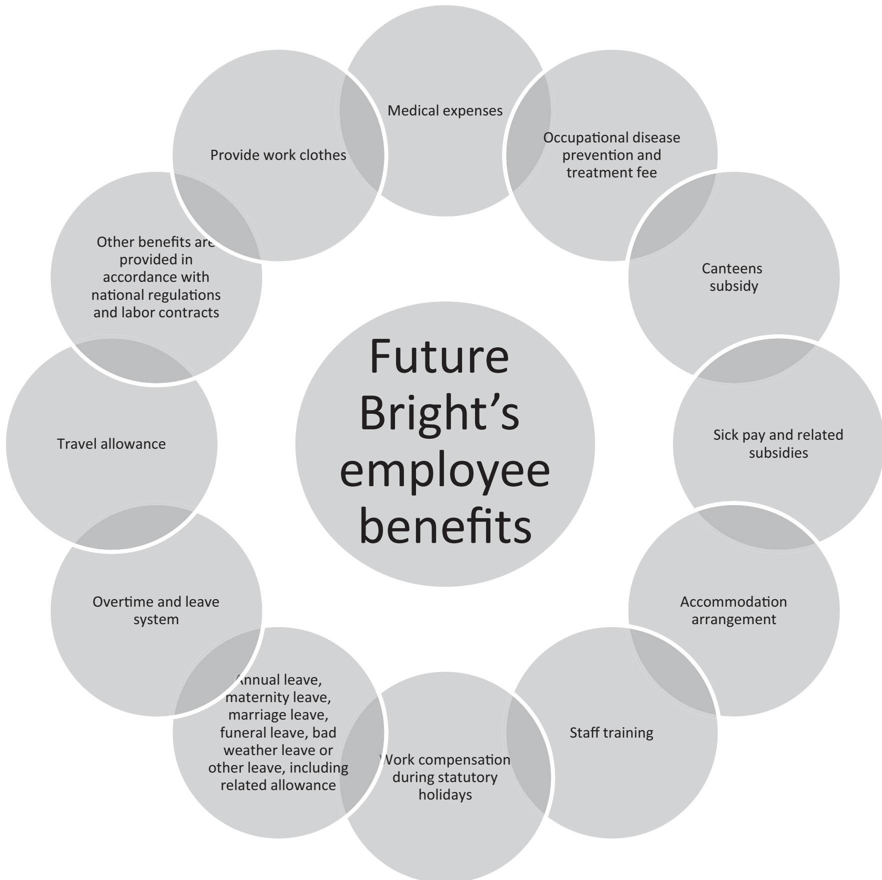
Future Bright firmly believes that the talents training is crucial to its development. In order to achieve efficient human resource management, the Company has developed the Staff Management System and the Staff Handbook. In attracting talents, Future Bright always adheres to the principle of fairness and anti-discrimination. We will consider about hiring those who are healthy, with good character, no bad habits, hard-working and accept on-site operation inspection. In addition, the Company is committed to the prohibition of the employment of child labour, forced or compulsory labour in any of our operations.

We punish those employees in violation of work discipline, especially those who leak secrets, causing conflicts among employees and serious loss to the Company as well as conducting illegal acts. If any employee is experiencing unfair accusation, the Company will fully protect his/her right to appeal and find out the truth in accordance with its rules.

Future Bright has in place strict discipline and is committed to guiding the establishment of smooth working relationship. We has established the relevant management rules relating to work assignment, execution, handover and information feedback. We also encourage employees to help and cooperate with each other to eliminate discrimination and harassment.

4.2. Welfare and Development

Future Bright has always been concerned about employees' health, occupational disease prevention, meals and other aspects of life. We provide the following staff benefits:



Employee salaries are determined by factors such as job responsibilities, competencies, technical ability, and overall performance to reflect pay by work, fairness and justice. The Company awards employees who have made outstanding achievements in improving site management and work efficiency; who have identified hidden dangers at work and adopted measures to avoid significant accidents; who have protected the properties and interests of the Company; who have maintained the Company's work order and have the courage to fight against bad deeds and people; who have put forward reasonable proposals which are adopted and resulted in improvement in production efficiency or saving substantial expenses. We implement a flexible working system, which can be adjusted depending on season and weather in order to facilitate the lives of employees and improve work efficiency.

While safeguarding the rights of employees, we are always committed to caring for the development of employees. The Company makes comprehensive career plans for employees, which guide the development of employees through their recruitment, hiring, trial, becoming a formal employee, and with the support of a transparent management and reward and punishment system.

Furthermore, we organise regular training and arrange relevant training topics based on their positions. For new employees, we provide them with basic training to facilitate their understanding of the Company, the industry, specific business, relevant laws and regulations and rules of the Company. For in-service employees, especially production line staff, we provide them with regular business learning and training on production safety. For the management, the training focuses on management ability, leadership and responsibility. In addition to the promotion of relevant training, we also set up a system to ensure our communication with employees and listen to their advices and opinions. We reward advanced individuals to motivate employees. Besides work, we also actively organize some team building activities such as volunteer services, improving team cohesion and employee satisfaction while helping others.

5. PRODUCT RESPONSIBILITY

Future Bright sticks to its purpose of "quality-oriented, integrity, enthusiasm" and aims to provide marble blocks with highest quality at affordable prices.

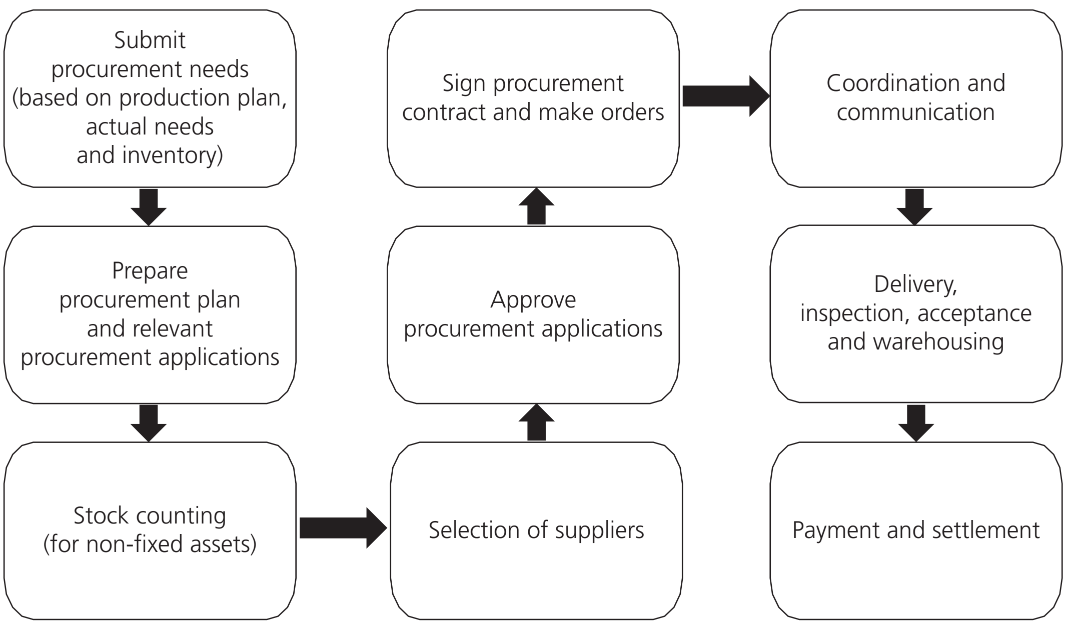
5.1. Quality Supply

Future Bright is committed to building an efficient and high quality's responsible supply chain management system. During the Reporting Period, we neither had any material disputes with any of its main contractors, nor experienced any material labour disputes, stoppages strikes or any other production safety accidents or environmental accidents causing disruption to the operation of the Group.

In order to ensure the smooth operation of the entire supply chain, we choose qualified suppliers that possess good reputation and operate in compliance with policies and moral standards. Future Bright's suppliers mainly include suppliers of machine, equipment and consumables used in the production process, including diamond beads, lubricants, gasoline, drill pipe, drill bits and equipment parts. Nearly all the suppliers of Future Bright are located in China.

Future Bright reviews and monitors the inventory of raw materials in order to maintain inventory at an appropriate level. In selecting contractors, we take into account whether they have the necessary licenses and appropriate qualifications as well as their service term and scope (including price). We monitor the performance of contractors by conducting on-site inspections and monitoring in outsourcing. The Group also requires contractors to comply with applicable laws and regulations as well as the relevant safety regulations issued by government authorities.

Future Bright Mining's Procurement Process



In accordance with its procurement management system, we assess suppliers on a regular basis to ensure the improvement in procurement quality and operation management, follow the relevant rules, lower procurement cost, improve the quality and economic benefits of our procurement business. The Company's procurement policies for mining materials and non-mining materials have detailed requirements for making plans, verification, selection, approval, review, finalization, effectiveness, settlement and acceptance.

5.2. Quality Assurance

Future Bright has a strict quality control process and specialized staff to conduct quality control. The specific quality control measures of Future Bright include:

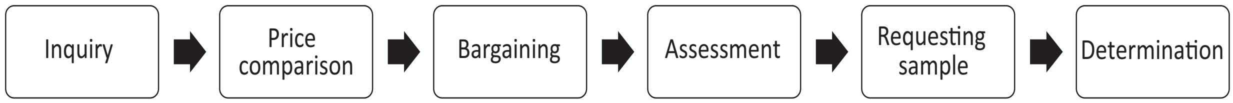
Future Bright's quality control measures

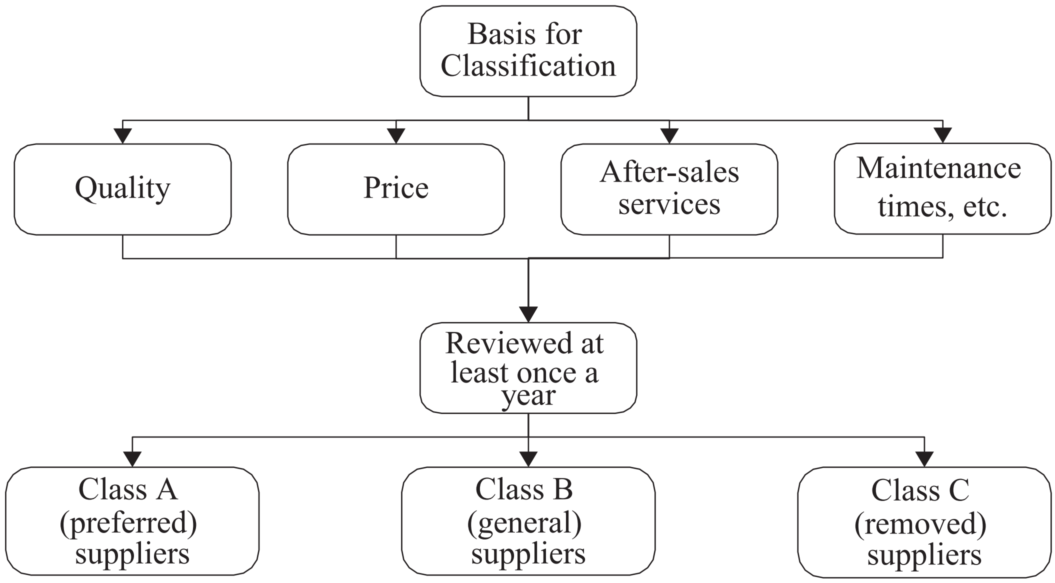
1. Regularly check the marble quality of mining face
2. Monitor the quality of marble in production, preparation and transportation
3. Quickly respond to customers' questions about the quality of marble

Future Bright's quality control department is managed by deputy chief engineer and technical consultants and supported by mine chiefs. Our engineers and technical consultants have more than 10 years of experience in mining technology and mine site management, providing technical support for the construction of many stone mines. The mine chiefs of the Company also have approximately 9 years of experience in mining activities and production safety and are mainly responsible for monitoring mine production to ensure all products of Future Bright comply with relevant quality control standards. Our products have passed the testing of the National Stone Quality Supervision and Testing Center and China Building Material Certification, which has ensured that the products meet the relevant quality standards.

To ensure the quality of our products, we implemented strict requirements for the raw materials purchased and suppliers. The supplier selection process and classification based on the relevant procurement rules of Future Bright are summarized as follows:

Main process of selecting suppliers





In accordance with Future Bright's rules for engineering project management, Future Bright has in place the relevant provisions in each critical phase, such as authorization, completion and acceptance, to ensure that the projects meet design and project quality requirements. These rules play an important role in ensuring the quality of engineering projects, realizing investment returns and summing up development experience.

5.3. Customer Relationship

Future Bright's customers mainly include decoration companies and specification stone processors. In business activities, Future Bright attaches great importance to the confidentiality of customer-related business information. Through the staff handbook, it clearly points out the importance of its confidentiality system and describes in detail the obligations of employees in respect of protecting data security. The Company's confidentiality system requires employees to strictly abide by its confidentiality regulations, and prohibits them from disclosing production information, internal situations and salary as well as the relevant information of the Company to others.

6. GREEN AND ENVIRONMENTAL PROTECTION

Future Bright adheres to its principle of "development in protection, protection in development" and strives for sustainable development in economic, social and environmental aspects. We adhere to the following ideas: equal emphasis on protection and development, people-oriented, taking into account all aspects, focus, prevention first, combination of prevention and treatment, looking ahead into the future and back into the past, reasonable stages, recycling use, environmental protection, technically feasible, economically reasonable, safe and reliable, easy to process. We endeavour to achieve a win-win for both economic and environmental benefits by maintaining an ecological environment suitable for human habitation around the developed mine pits.

6.1. Green Management

The Group pays attention to protecting the environment during its process of operation. We have adopted and continued to implement a number of green management measures to ensure compliance with the requirements of laws and regulations including the Environmental Protection Law of the PRC and the Provisions on the Protection of the Geologic Environment of Mines and minimize the impacts of its operation on the environment. The detailed measures are as follows:

No.	Environmental policies and measures
1	Repair the land damaged by our mining operations in accordance with the relevant land reclamation laws and regulations
2	Building of roads and transfer sites with waste rocks
3	Recycle domestic household waste as fertilizer
4	Collect and treat sewage for recycling and irrigation
5	Conduct wet drilling to reduce dust emissions
6	Use low-noise equipment to reduce noise emissions

We have commissioned a qualified entity to prepare a geological environment protection and restoration management plan for the mines and are committed to adopting the relevant measures for green environmental protection in accordance with the approved plan. We are committed to conducting geological environment impact assessment for the mines and zone planning for geological environment impact assessment for the mines in order to minimize the impacts on the mining operation on land resources, vegetation and water environment.

6.2. Green Practices

We have clear objectives and policies for energy management and actively improve technologies, equipment and processes in order to lower mining cost and put green production into practice.

- ***Geological protection and restoration in mining area***

  We have developed measures to protect and treat geological environment of mines, pursuant to which we divide and treat the mined areas and restore and rebuild the geological environment of mines using engineering and biological means. While developing mineral resources, we analyze geological environment characteristics and the impacts of mining and processing on surrounding geological environment, conduct reasonable planning and comprehensive management. Moreover, we adopted effective measures to protect the environment in order to realize the coordinated development of mineral resources development and geological environment protection.

For key rehabilitation mining areas, we conduct greening on the damaged land in the area following the depletion of resources (closed pit) and treat open-pit mining slope. The pit is backfilled and the waste produced by the mine is processed. During the mine production process, we use slag to backfill ground pits that have been formed or are about to be formed in order to reduce or alleviate the leakage of surface and ground water, groundwater level declining and avoiding ground collapse disaster in the area. For woodland and wasteland other than the key rehabilitation mining areas, we conduct similar protection and treatment measures.

- ***Biodiversity conservation***

  In our mining process, we also pay attention to protecting biodiversity, increasing the degree of greening around the mining area, and maximizing the treatment while exploiting to reduce soil erosion. Through geological environment protection and rehabilitation for the mines, we strictly control the disturbance and damages to the surrounding environment, and choose reasonable mining processes and methods in order to minimize the occurrence of environmental and geological problems for the mines, and achieve the harmony among people, mountains, mine and water and win-win for both economic and environmental benefits.

  We will ensure that our mining is conducted in a safe environment and that our production staff and villagers in the surrounding areas of mines have a safe living environment. We have established records for hazards in the mines on a case-by-case basis and gradually inspect and treat those with strong dangers to eliminate security risks. On the basis of summing up our experience in previous geological environment protection and rehabilitation, we make timely adjustments in view of the realities of the mines to solve practical problems. In principle, we restore the land after the pit is closed to ensure that there will be no additional land occupation or obvious surface water pollution and that the mountain gradually stabilize without major geological hazards.

7. SOCIAL CONTRIBUTION

Future Bright actively participates in social charity and has established a strong sense of community responsibility. In May 2016, Future Bright donated HK$500,000 to the Children Chiropractic Foundation for development of its "Straight Up Life" program, which convinced many children with shrinking bosom to accept professional medical assistance and built a positive attitude towards life. Children Chiropractic Foundation Limited has issued a donation certificate to Future Bright.


Children Chiropractic Foundation Limited

OFFICIAL RECEIPT

500,000.00

Dear Sir/Madam,

Thank you so much for your kind donation.

Your caring support of the Children Chiropractic Foundation Limited will make a great difference in the health of our next generation in Hong Kong.

Attached herewith our leaflet and newsletter for your reference and information. We hope that you will continue to partner with us in our commitment.

Yours sincerely,

With the charity support from Future Bright and the Children Chiropractic Foundation, many children who have apparent body problems due to leg and vertebral deformity and economic difficulties have accepted professional medical treatment. Through medical treatment, spine exercise and rehabilitation training courses, most of the children's spinal problems have been greatly improved or even cured. Future Bright's charity move has helped the children to get family happiness and return to school to realize their dreams.

Appendix: Index of the Environmental, Social and Governance Reporting Guide

Subject Areas, Aspects, General Disclosures and Key Performance Indicators		2016 Environmental, Social and Governance Report Disclosure Paragraphs
A. Environment		
Aspect A1	**Emissions**	
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6 Green and Environmental Protection.
Key Performance Indicators A1.1	The types of emissions and respective emissions data.	–
Key Performance Indicators A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–
Key Performance Indicators A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–

Subject Areas, Aspects, General Disclosures and KPIs		2016 Environmental, Social and Governance Report Disclosure Paragraphs
Key Performance Indicators A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–
Key Performance Indicators A1.5	Description of measures to mitigate emissions and results achieved.	–
Key Performance Indicators A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	–
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Resources can be used for production, storage, transportation, buildings, electronic equipment.	6.2 Green Practices
Key Performance Indicators A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	–
Key Performance Indicators A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	–
Key Performance Indicators A2.3	Description of energy use efficiency initiatives and results achieved.	–
Key Performance Indicators A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	–
Key Performance Indicators A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable, as no packaging materials are involved in the production process
Aspect A3	**Environment and Natural Resources**	
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	6 Green and Environmental Protection
Key Performance Indicators A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6 Green and Environmental Protection

Subject Areas, Aspects, General Disclosures and KPIs		2016 Environmental, Social and Governance Report Disclosure Paragraphs
B. Social		
Employment and labour practices		
Aspect B1	**Employment**	
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 People-oriented
Key Performance Indicators B1.1	Total workforce by gender, employment type, age group and geographical region.	4 Employee Care
Key Performance Indicators B1.2	Employee turnover rate by gender, age group and geographical region.	–
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.	3 Safety and Health
Key Performance Indicators B2.1	Number and rate of work-related fatalities.	3.1 Production Safety
Key Performance Indicators B2.2	Lost days due to work injury.	3.1 Production Safety
Key Performance Indicators B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	3 Safety and Health
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to occupational training, including internal and external courses paid by the employer.	4.2 Welfare and Development
Key Performance Indicators B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	–

Subject Areas, Aspects, General Disclosures and KPIs		2016 Environmental, Social and Governance Report Disclosure Paragraphs
Key Performance Indicators B3.2	The average training hours completed per employee by gender and employee category.	–
Aspect B4	**Employee Guidelines**	
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1 People-oriented
Key Performance Indicators B4.1	Description of measures to review employment practices to avoid child and forced labour.	–
Key Performance Indicators B4.2	Description of steps taken to eliminate such practices when discovered.	–
Operating Practices		
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.1. Quality Supply
Key Performance Indicators C5.1	Number of suppliers by geographical region.	–
Key Performance Indicators C5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	–
Aspect B6	**Product Responsibility**	
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5.2 Quality Assurance
Key Performance Indicators C6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	–
Key Performance Indicators C6.2	Number of products and service related complaints received and how they are dealt with.	–
Key Performance Indicators C6.3	Description of practices relating to observing and protecting intellectual property rights.	–

Subject Areas, Aspects, General Disclosures and KPIs		2016 Environmental, Social and Governance Report Disclosure Paragraphs
Key Performance Indicators C6.4	Description of quality assurance process and recall procedures.	–
Key Performance Indicators C6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.2 Quality Assurance
Aspect B7	**Anti-corruption**	
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	2.6. Anti-corruption Mechanism
Key Performance Indicators C7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	2.6. Anti-corruption Mechanism
Key Performance Indicators C7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	2.6. Anti-corruption Mechanism
Community		
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7 Social Contribution
Key Performance Indicators B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7 Social Contribution
Key Performance Indicators B8.2	Resources contributed (e.g. money or time) to the focus area.	7 Social Contribution

INDEPENDENT AUDITORS' REPORT

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To the Shareholders of Future Bright Mining Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Future Bright Mining Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 110, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
1. Impairment assessment on mining right and property, plant and equipment	
The Group's long term assets mainly comprised of mining right and property, plant and equipment. The assessment of the existence of indicators of impairment of the carrying amount of long term assets is judgemental. In the event that indicators are identified, the assessment of recoverable amounts of long term assets is also judgmental. The estimates involved are particularly significant due to volatility of marble price, the estimation of future production and the uncertainty in connection with future economic outlook. The changes in the economic environment in China may lead to a decrease in production, revenue and profitability of the Group. The management determined that indicators of impairment on long term assets existed as at the end of the reporting period. Accordingly, the management performed impairment assessment on long-term assets and no impairment loss was recognised during the year ended 31 December 2016. Related disclosures are included in notes 3, 13 and 15 to the consolidated financial statements.	We evaluated the impairment test model for mining right and property, plant and equipment by assessing the impairment assessment methodologies and key assumptions used, such as marble price, estimated future production volume, estimated gross margin and discount rates used by the Group in determining the recoverable amounts of long term assets. We also assessed the adequacy of the related disclosures made in the consolidated financial statements.
2. Recoverability of trade receivables	
As at 31 December 2016, the Group had overdue trade receivable balances, and the management has to assess if impairment provision was recognised for them. The determination as to whether a trade receivable is collectable involves management judgement. Specific factors management considers include the age of the balance, business nature of the customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management used these factors to determine whether a provision for impairment is required either for a specific transaction or for the total balance with a customer. We focused on this area because it requires a high level of management judgement and the amounts involved are significant. Related disclosures are included in notes 3 and 18 to the consolidated financial statements.	We examined the management's assessment of the recoverability of trade receivables by checking, on a sampling basis, the bank-in slips for the settlements received subsequent to the end of the reporting period, the correctness of trade receivable ageing report, the recent historical payment patterns and the correspondences with customers. We interviewed with the sales personnel of the Group and obtained confirmations from the customers. We also assessed the adequacy of the related disclosures made in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

23 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	**12,909**	11,271
Cost of sales		**(3,805)**	(3,382)
Gross profit		**9,104**	7,889
Other income and gain	5	**536**	2,553
Selling and distribution expenses		**(2,108)**	(756)
Administrative expenses		**(16,341)**	(10,378)
Other expenses		**(2,030)**	(672)
Finance costs	7	**(66)**	(99)
LOSS BEFORE TAX	6	**(10,905)**	(1,463)
Income tax expense	10	**(1,004)**	(1,301)
LOSS FOR THE YEAR		**(11,909)**	(2,764)
Attributable to:			
Owners of the parent		**(11,909)**	(2,764)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For loss for the year		**RMB0.34 cents**	RMB0.08 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
LOSS FOR THE YEAR	**(11,909)**	(2,764)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,705**	2,855
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**2,705**	2,855
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(9,204)**	91
Attributable to:		
Owners of the parent	**(9,204)**	91

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**20,224**	20,354
Long-term prepayments	14	**541**	598
Intangible asset	15	**37,908**	39,641
Total non-current assets		**58,673**	60,593
CURRENT ASSETS			
Inventories	17	**2,211**	4,449
Trade receivables	18	**15,719**	5,998
Prepayments, deposits and other receivables	19	**1,111**	1,004
Cash and cash equivalents	20	**22,641**	35,871
Total current assets		**41,682**	47,322
CURRENT LIABILITIES			
Other payables and accruals	21	**2,882**	2,287
Tax payable		**582**	–
Total current liabilities		**3,464**	2,287
NET CURRENT ASSETS		**38,218**	45,035
TOTAL ASSETS LESS CURRENT LIABILITIES		**96,891**	105,628
NON-CURRENT LIABILITIES			
Deferred tax liabilities	16	**9,956**	9,552
Provision for rehabilitation	22	**1,038**	972
Total non-current liabilities		**10,994**	10,524
Net assets		**85,897**	95,104
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	**2,782**	2,782
Reserves	24	**83,115**	92,322
Total equity		**85,897**	95,104

Mr. Wan Tat Wai David	**Mr. Zheng Feng Wei**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Share capital RMB'000 (Note 23)	Share premium* RMB'000 (Note 23)	Capital reserve* RMB'000 (Note 24)	Contributed reserve* RMB'000 (Note 24)	Safety fund surplus reserve* RMB'000 (Note 24)	Foreign currency translation reserve* RMB'000	Accumulated losses* RMB'000	Total equity RMB'000
At 1 January 2015	–	7,941	24,216	34,152	9	(254)	(24,062)	42,002
Loss for the year	–	–	–	–	–	–	(2,764)	(2,764)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	–	–	–	–	–	2,855	–	2,855
Total comprehensive income/(loss) for the year	–	–	–	–	–	2,855	(2,764)	91
Establishment for safety fund surplus reserve	–	–	–	–	62	–	(62)	–
Use of safety fund surplus reserve	–	–	–	–	(4)	–	–	(4)
Issue of ordinary shares	2,782	58,527	–	–	–	–	–	61,309
Share issue expenses	–	(8,294)	–	–	–	–	–	(8,294)
At 31 December 2015	2,782	58,174	24,216	34,152	67	2,601	(26,888)	95,104
At 1 January 2016	**2,782**	**58,174**	**24,216**	**34,152**	**67**	**2,601**	**(26,888)**	**95,104**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(11,909)**	**(11,909)**
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**2,705**	**–**	**2,705**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**2,705**	**(11,909)**	**(9,204)**
Establishment for safety fund surplus reserve	**–**	**–**	**–**	**–**	**14**	**–**	**(14)**	**–**
Use of safety fund surplus reserve	**–**	**–**	**–**	**–**	**(3)**	**–**	**–**	**(3)**
At 31 December 2016	**2,782**	**58,174**	**24,216**	**34,152**	**78**	**5,306**	**(38,811)**	**85,897**

* These reserve accounts comprise the consolidated reserves of RMB83,115,000 as at 31 December 2016 (31 December 2015: RMB92,322,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	6	**(10,905)**	(1,463)
Adjustments for:			
Finance costs	7	**66**	99
Interest income	5	**(21)**	(45)
Gain on disposal of subsidiaries	5	**(39)**	–
Loss on disposal of items of property, plant and equipment	6	**–**	2
Use of safety fund surplus reserve		**(3)**	(4)
Depreciation	6,13	**1,722**	1,527
Amortisation of a long-term prepayment	6,14	**57**	33
Amortisation of intangible asset	6,15	**1,733**	2,592
		(7,390)	2,741
Decrease/(increase) in inventories		**2,238**	(3,792)
Increase in trade receivables		**(9,721)**	(5,998)
Decrease/(increase) in prepayments, deposits and other receivables		**(107)**	5,193
Increase/(decrease) in other payables and accruals		**595**	(12,099)
Cash used in operations		**(14,385)**	(13,955)
Interest received	5	**21**	45
Income taxes paid		**(18)**	–
Net cash flows used in operating activities		**(14,382)**	(13,910)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and other long-term assets		**(1,592)**	(7,447)
Disposal of a subsidiary	25	**39**	–
Net cash flows used in investing activities		**(1,553)**	(7,447)

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	23	–	61,309
Share issue expenses	23	–	(8,294)
Repayment of a bank loan		–	(1,195)
Interest paid	7	–	(40)
Net cash flows from financing activities		–	51,780
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(15,935)**	30,423
Cash and cash equivalents at beginning of year		**35,871**	2,593
Effect of foreign exchange rate changes, net		**2,705**	2,855
CASH AND CASH EQUIVALENTS AT END OF YEAR		**22,641**	35,871
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**22,641**	35,871

1. CORPORATE AND GROUP INFORMATION

The Company was an exempted company with limited liability incorporated in the Cayman Islands on 23 August 2013 under the Companies Law, Chapter 22 of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- excavate and sale of marble blocks;
- produce and sale of marble related products.

In the opinion of the directors of the Company, the ultimate holding company of the Company is Guangzhou Yicheng Investment Limited, which is established in the People's Republic of China ("PRC").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Gold Title Investments Limited	British Virgin Islands	US$50,000	100	–	Investment holding
Future Bright (H.K.)	Hong Kong Investments Limited	HK$10,000	–	100	Investment holding
Future Bright Enterprise Group Limited	Hong Kong	HK$1	–	100	Investment holding
Xiangyang Future Bright Mining Limited*	PRC/Mainland China	RMB20,000,000	–	100	Mining, ore processing and sale of marble products
Guangdong Future Bright Materials Limited#	PRC/Mainland China	RMB4,500,000	–	100	Wholesaling construction and sale of decoration material

* Xiangyang Future Bright Mining Limited is registered as a wholly-foreign-owned enterprise under PRC law.

Guangdong Future Bright Materials Limited is a limited liability company wholly owned by Xiangyang Future Bright Mining Limited under PRC law.

During the year, the Group disposed of Sun Vast Invest Development Limited, Speedy Rise Group Limited, Smart Triumph Group Holdings Limited, Powerful Rich Industrial Limited, Perfect Speed Ventures Limited and Express Sources Holdings Limited, which were all 100% directly or indirectly held by the Company. Further details of the disposal are set out in note 25 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB") and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings classified as property, plant and equipment, derivative financial instruments and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

Except for the amendments to IFRS 10, IFRS 12 and IAS 28, amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, amendments to IAS 27, and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

  (i) the materiality requirements in IAS 1;

  (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

  (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

  (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) *Annual Improvements to IFRSs 2012-2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements:

IFRS 9	*Financial Instruments*[2]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 10, and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
IFRS 16	*Leases*[3]
Amendments to IFRS 15	*Clarifications to IFRS 15*[2]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to IFRS 12 Included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*[1]
Amendments to IFRS 1 Included in *Annual Improvements 2014-2016 Cycle*	*First-time Adoption of International Financial Reporting Standards*[2]
Amendments to IAS 28 Included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates or Joint Ventures*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group does not plan to early adopt IFRS 15. Based on the Group's business and related revenue recognition accounting policy as set out in note 4, management does not expect any significant impact on the financial performance and position of the Group resulting from the adoption of IFRS 15 for the annual period beginning on 1 January 2018.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendments, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosure to be provided by the Group.

The amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised* Losses clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The Group does not expect these amendments to have any material impact on the Group.

The IASB issued amendments to IFRS 2 *Share-based Payment* that address diversity in practice in three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are allowed to apply the amendments without restating prior periods, but retrospective application is permitted if entities elect to adopt all the amendments regarding the above three main areas and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

Management does not expect any significant impact on the financial performance and position of the Group resulting from the adoption of IFRS 16 for the annual period beginning on 1 January 2018.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets
Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties
A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	9.70% to 19.40%
Plant and machinery	9.70% to 19.40%
Motor vehicles	24.25%
Office equipment	19.40% to 32.33%

Depreciation of mining infrastructure is calculated using the Units of Production ("UOP") method to write off the cost of the assets proportionate to the extraction of the proved and probable mineral reserves. The estimated useful life of the mining infrastructure is 20 years, which is determined in accordance with the production plans of the entities concerned and the proved and probable reserves of mines using the UOP method.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Stripping costs

As part of its mining operations, the Group incurs stripping (waste removal) costs during the development phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised in property, plant and equipment as part of the cost of constructing the mine and subsequently amortised over its useful life using the UOP method.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining right

Mining right is stated at cost less accumulated amortisation and any impairment losses. Mining right includes the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining right is amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining right is written off to profit or loss if the mining property is abandoned.

The estimated useful life of the mining right is based on its unexpired period, i.e., no later than 30 December 2021.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and accruals.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the PRC rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the mining operation's location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within finance costs in the statement of profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure. Additional disturbances or changes in estimates will be recognised as additions or changes to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investment in a subsidiary, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investment in a subsidiary, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period in which the services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Pension scheme

The employees of the subsidiary in Mainland China are required to participate in a defined central pension scheme managed by the local municipal government of the areas in Mainland China in which they operate. The subsidiary is required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund

Contributions to a defined contribution housing fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group's liability in respect of the housing fund is limited to the contribution payable in each period.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. The functional currency of the Company is the Hong Kong dollar ("HKD"). The Company's presentation currency is RMB because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

(a) *Useful lives of property, plant and equipment*

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record an impairment provision for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment as at 31 December 2016 was RMB20,224,000 (2015: RMB20,354,000).

(b) *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Intangible assets with indefinite useful lives or intangible assets not yet available for use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(c) *Impairment of trade receivables*

The provision policy for impairment of trade receivables is based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. The carrying amount of trade receivables carried in the consolidated statement of financial position as at 31 December 2016 was RMB15,719,000 (2015: RMB5,998,000).

(d) *Mine reserves*

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking 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 mine reserves also changes. This change is considered as a change in estimate for accounting purposes and is reflected on a prospective basis in the amortisation rate calculated on the UOP basis and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

(e) *Provision for rehabilitation*

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligation to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. The carrying amount of provision for rehabilitation as at 31 December 2016 was RMB1,038,000 (2015: RMB972,000).

(f) *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets carried in the consolidated statement of financial position as at 31 December 2016 was nil (2015: RMB560,000). Further details are contained in note 16 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(g) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. Management reassesses these estimates at the end of each reporting period. The carrying amount of inventories as at 31 December 2016 was RMB2,211,000 (2015: RMB4,449,000).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group operates in one business unit based on its products, and has only one reportable operating segment which is the production and sale of marble and marble related products. The Group conducts its principal operation in Mainland China. Management monitors the operating results of its business unit for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

The Group's revenue from external customers is derived solely from its operation in Mainland China, and no material non-current assets of the Group are located outside Mainland China.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue of the Group, is set out below:

	2016	2015
	RMB'000	RMB'000
Customer A	**7,403**	–
Customer B	**3,572**	–
Customer C	**1,934**	–
Customer D	**N/A***	6,281
Customer E	**N/A***	2,885
Customer F	**N/A***	1,203

* Less than 10% of the Group's total revenue

5. REVENUE, OTHER INCOME AND GAIN

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gain is as follows:

	Note	2016 RMB'000	2015 RMB'000
Revenue			
Sale of goods		12,909	11,271
Other income			
Bank interest income		21	45
Rendering of services		476	503
Government grants (Note (a))		–	2,000
Others		–	5
		497	2,553
Gain			
Gain on disposal of subsidiaries	25	39	–
		536	2,553

Note (a) The amount represents certain financial rewards received from local PRC government authorities by Xiangyang Future Bright Mining Limited in connection with its successful listing as a local business enterprise. There are no unfulfilled conditions and other contingencies relating to these grants.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2016 RMB'000	2015 RMB'000
Cost of inventories sold	3,805	3,382
Staff costs (including directors' remuneration (Note 8)):		
Wages and salaries	6,390	3,757
Pension scheme contributions	200	463
	6,590	4,220
Auditors' remuneration	1,050	1,055
Amortisation of intangible asset (Note 15)	1,733	2,592
Amortisation of a long-term prepayment (Note 14)	57	33
Depreciation of items of property, plant and equipment (Note 13)	1,722	1,527
Foreign exchange differences, net	1,158	637
Minimum lease payments under operating leases	1,205	1,016
Loss on disposal of items of property, plant and equipment	–	2

7. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank borrowings	–	37
Interest on discounted provision for rehabilitation	66	62
	66	99

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 RMB'000	2015 RMB'000
Fees	805	695
Other emoluments:		
Salaries, allowances and benefits in kind	2,249	1,731
Pension scheme contributions	7	–
	3,061	2,426

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2016 RMB'000	2015 RMB'000
Mr. Chow Hiu Tung	161	143
Mr. Lau Tai Chim	134	120
Mr. Sin Ka King	134	120
Mr. Tsang Hing Hung	141	–
	570	383

Mr. Chow Hiu Tung, Mr. Lau Tai Chim and Mr. Sin Ka King were appointed as independent non-executive directors on 8 December 2014. Mr. Tsang Hing Hung was appointed as an independent non-executive director on 10 December 2015. There were no emoluments payable to the independent non-executive directors during the year (2015: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2016					
Executive directors:					
Mr. Yuan Shan		–	117	–	117
Mr. Zhang De Cong		–	147	–	147
Ms. Lee Suk Fong	a	–	522	5	527
Mr. Wan Tat Wai David	b	–	386	–	386
Mr. Zheng Feng Wei	c	–	35	–	35
Mr. Sun Feng	d	–	174	–	174
Mr. Zhou Tai Ping	e	–	220	–	220
		–	1,601	5	1,606
Non-executive directors:					
Mr. Li Ethan Jing	f	–	211	–	211
Mr. Hu Jin Xiong	g	–	312	–	312
Mr. Leung Kar Fai	h	235	–	–	235
		235	523	–	758
Chief executive					
Mr. Au-Yong Shong	i	–	125	2	127
		235	2,249	7	2,491
2015					
Executive directors:					
Mr. Yuan Shan		–	117	–	117
Mr. Guo Xiao Ping	j	–	540	–	540
Mr. Zhou Tai Ping	e	–	95	–	95
Mr. Zhang De Cong		–	147	–	147
		–	899	–	899
Non-executive directors:					
Mr. Li Ethan Jing	f	–	442	–	442
Mr. Hu Jin Xiong	g	–	390	–	390
Mr. Leung Kar Fai	h	312	–	–	312
		312	832	–	1,144
		312	1,731	–	2,043

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

a) Ms. Lee Suk Fong was appointed as an executive director on 12 April 2016.

b) Mr. Wan Tat Wai David was appointed as an executive director on 12 April 2016.

c) Mr. Zheng Feng Wei was appointed as an executive director on 8 December 2016.

d) Mr. Sun Feng was appointed as an executive director and the chairman of the Board on 10 June 2016 and resigned on 7 October 2016.

e) Mr. Zhou Tai Ping resigned as an executive director, the chairman of the Board and the Chief Executive of the Company on 5 June 2016.

f) Mr. Li Ethan Jing resigned as a non-executive director on 13 August 2016.

g) Mr. Hu Jin Xiong resigned as a non-executive director on 23 September 2016, but will remain as a consultant of the Company.

h) Mr. Leung Kar Fai resigned as a non-executive director on 23 September 2016 and ceased to be the joint authorised representative and the joint service agent of the Company.

i) Mr. Au-Yong Shong was appointed as the chief executive officer of the Company on 10 June 2016 and resigned on 5 September 2016.

j) Mr. Guo Xiao Ping resigned as an executive director and the chief executive officer on 19 October 2015.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2016.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2015: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2015: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	1,591	972
Pension scheme contributions	30	35
	1,621	1,007

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	–
	2	2

During the year ended 31 December 2016, no emoluments were paid by the Group to any directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year ended 31 December 2016.

Provision for the PRC corporate income tax ("CIT") is based on the CIT rate applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended 31 December 2016. The Group's subsidiaries located in Mainland China were subject to the PRC CIT rate of 25% during the year ended 31 December 2016.

The major components of income tax expense for the year ended 31 December 2016 are as follows:

	2016	2015
	RMB'000	RMB'000
Current – Mainland China		
Charge for the year	**582**	–
Under provision in prior years	**18**	–
Deferred (Note 16)	**404**	1,301
Total tax charge for the year	**1,004**	1,301

10. INCOME TAX (continued)

A reconciliation of income tax credit applicable to loss before tax at the applicable income tax rate in the PRC to income tax expense of the Group at the effective tax rate is as follows:

	2016 **RMB'000**	2015 RMB'000
Loss before tax	**(10,905)**	(1,463)
Tax at the applicable tax rate of companies within the Group	**(2,726)**	(366)
Adjustments in respect of current tax of previous years	**18**	–
Expenses not deductible for tax	**3,712**	1,667
Income tax charge at the Group's effective rate	**1,004**	1,301

11. DIVIDENDS

The Board does not recommend the payment of dividends to the ordinary equity holders of the Company for the year ended 31 December 2016 (2015: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,520,000,000 (2015: 3,520,000,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the impact of the warrants and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The weighted average number of ordinary shares for 2015 was retrospectively stated due to the share subdivision. For details, please refer to notes 23 Share Capital.

The calculation of basic loss per share is based on:

	2016 **RMB'000**	2015 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent	**(11,909)**	(2,764)

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,520,000,000**	3,520,000,000

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mine infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016							
Cost:							
At 1 January 2016	550	3,217	1,861	1,231	15,239	1,094	23,192
Additions	–	–	1,339	–	–	253	1,592
At 31 December 2016	550	3,217	3,200	1,231	15,239	1,347	24,784
Accumulated depreciation:							
At 1 January 2016	305	1,009	160	673	691	–	2,838
Provided for the year	86	392	465	244	535	–	1,722
At 31 December 2016	391	1,401	625	917	1,226	–	4,560
Net carrying amount:							
At 1 January 2016	245	2,208	1,701	558	14,548	1,094	20,354
At 31 December 2016	159	1,816	2,575	314	14,013	1,347	20,224
31 December 2015							
Cost:							
At 1 January 2015	550	3,213	57	1,231	10,197	704	15,952
Additions	–	4	1,809	–	–	5,432	7,245
Disposals	–	–	(5)	–	–	–	(5)
Transferred	–	–	–	–	5,042	(5,042)	–
At 31 December 2015	550	3,217	1,861	1,231	15,239	1,094	23,192
Accumulated depreciation:							
At 1 January 2015	220	608	27	387	72	–	1,314
Provided for the year	85	401	136	286	619	–	1,527
Disposals	–	–	(3)	–	–	–	(3)
At 31 December 2015	305	1,009	160	673	691	–	2,838
Net carrying amount:							
At 1 January 2015	330	2,605	30	844	10,125	704	14,638
At 31 December 2015	245	2,208	1,701	558	14,548	1,094	20,354

As at 31 December 2016, no property, plant and equipment (31 December 2015: Nil) were pledged to a bank that provided a mortgage loan for the Group's equipment purchase.

As at 31 December 2016, the management of the Group performed impairment assessment on property, plant and equipment and was of the opinion that no provision for impairment loss was needed.

14. LONG-TERM PREPAYMENTS

	Forest rental costs MB'000	Farmland occupation tax RMB'000	Total MB'000
31 December 2016			
Cost at 1 January 2016, net of accumulated amortisation	**404**	**194**	**598**
Additions	**–**	**–**	**–**
Amortisation provided during the year	**(25)**	**(32)**	**(57)**
At 31 December 2016	**379**	**162**	**541**
At 31 December 2016:			
Cost	**499**	**202**	**701**
Accumulated amortisation	**(120)**	**(40)**	**(160)**
Net carrying amount	**379**	**162**	**541**
31 December 2015			
Cost at 1 January 2015, net of accumulated amortisation	429	–	429
Additions	–	202	202
Amortisation provided during the year	(25)	(8)	(33)
At 31 December 2015	404	194	598
At 31 December 2015:			
Cost	499	202	701
Accumulated amortisation	(95)	(8)	(103)
Net carrying amount	404	194	598

Forest rental costs represent the prepayment made to villagers for the use of parcels of forest land for mining activities at the Yiduoyan marble mine. Based on agreements entered into between Xiangyang Future Bright Mining Limited and the relevant villagers, Xiangyang Future Bright Mining Limited prepaid RMB499,000 to the relevant villagers for a right to use the said forest land for a period of 20 years from October 2011.

15. INTANGIBLE ASSET

	Mining right RMB'000
31 December 2016	
Cost at 1 January 2016, net of accumulated amortisation	**39,641**
Additions	**–**
Amortisation provided during the year	**(1,733)**
At 31 December 2016	**37,908**
At 31 December 2016:	
Cost	**42,600**
Accumulated amortisation	**(4,692)**
Net carrying amount	**37,908**
31 December 2015	
Cost at 1 January 2015, net of accumulated amortisation	42,233
Additions	–
Amortisation provided during the year	(2,592)
At 31 December 2015	39,641
At 31 December 2015:	
Cost	42,600
Accumulated amortisation	(2,959)
Net carrying amount	39,641

The mining right represent the right for the mining of marble reserves at the Yiduoyan mine which is located in Nanzhang County, Hubei Province, the PRC. The mine is operated by Xiangyang Future Bright Mining Limited. The local government granted the mining permit to Xiangyang Future Bright Mining Limited for a term of 10 years from 30 December 2011 to 30 December 2021 with a production capacity of 20,000 cubic metres per annum.

As at 31 December 2016, the management of the Group performed impairment assessment on mining right and was of the opinion that no provision for impairment loss was needed.

16. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000
At 1 January 2015	2,303
Deferred tax credited to the statement of profit or loss during the year (Note 10)	(1,743)
At 31 December 2015 and 1 January 2016	560
Deferred tax charged to the statement of profit or loss during the year (Note 10)	(560)
At 31 December 2016	–

Deferred tax liabilities

	Depreciation difference of plant and machinery between IFRSs and PRC tax regulations RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2015	69	10,485	10,554
Deferred tax charged/(credited) to the statement of profit or loss during the year (Note 10)	196	(638)	(442)
At 31 December 2015 and 1 January 2016	265	9,847	10,112
Deferred tax charged/(credited) to the statement of profit or loss during the year (Note 10)	267	(423)	(156)
At 31 December 2016	532	9,424	9,956

Deferred tax assets and liabilities related to the PRC subsidiary have been provided at an enacted corporate income tax rate of 25%.

16. DEFERRED TAX (continued)

For presentation purposes, deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2016 RMB'000	2015 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	–	560
Deferred tax liabilities recognised in the consolidated statement of financial position	(9,956)	(10,112)
	(9,956)	(9,552)

17. INVENTORIES

	2016 RMB'000	2015 RMB'000
Finished goods	2,170	4,382
Materials and supplies	41	67
	2,211	4,449

18. TRADE RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	15,719	5,998
Impairment	–	–
	15,719	5,998

The Group's trading terms with its customers are mainly on credit. The credit period is generally two to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

18. TRADE RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 months	**8,052**	3,338
3 months to 6 months	**3,081**	2,660
Over 6 months	**4,586**	–
	15,719	5,998

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**8,052**	3,338
1 to 3 months past due	**3,081**	2,660
3 to 6 months past due	**2,337**	–
Over 6 months past due	**2,249**	–
	15,719	5,998

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

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

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Prepayments	**533**	–
Deposits and other receivables	**548**	956
Others	**30**	48
	1,111	1,004

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Cash and bank balances	**22,641**	35,871

The Group's cash and bank balances are all denominated in RMB at the end of each reporting period, except for the following:

	RMB equivalent	
	2016 **RMB'000**	2015 RMB'000
Cash and bank balances (HKD)	**16,926**	28,927

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. OTHER PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Payroll accruals	**581**	821
Other payables	**2,301**	1,466
	2,882	2,287

Other payables are unsecured, non-interest-bearing and repayable on demand.

22. PROVISION FOR REHABILITATION

	2016 RMB'000	2015 RMB'000
At the beginning of year	972	910
Unwinding of discount (Note 7)	66	62
At the end of year	1,038	972

A provision for rehabilitation is mainly recognised for the present value of estimated costs to be incurred for the restoration of tailing ponds and the removal of the processing plants in complying with the Group's obligations for the closure and environmental restoration and clean-up on completion of the Group's mining activities. These costs are expected to be incurred on mine closure, based on the estimated rehabilitation expenditures at the mine when the mining permit expires, and are discounted at a discount rate of 6.55%. Changes in assumptions could significantly affect these estimates. Over the time, the discounted provision is increased for the change in present value based on the discount rate that reflects market assessments and risks specific to the provision. The periodic unwinding of the discount is recognised in profit or loss as part of the interest expenses.

23. SHARE CAPITAL

Shares

	2016 RMB'000	2015 RMB'000
Issued and fully paid:		
3,520,000,000 (2015: 352,000,000) ordinary shares	2,782	2,782

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** RMB'000	**Share premium account** RMB'000	**Total** RMB'000
At 1 January 2015	200	–	7,941	7,941
Capitalisation of share premium account (a)	263,999,800	2,087	(2,087)	–
Issuance of shares for the IPO (b)	88,000,000	695	60,614	61,309
Share issue expenses	–	–	(8,294)	(8,294)
At 31 December 2015 and 1 January 2016	352,000,000	2,782	58,174	60,956
Increase in number of shares due to share subdivision (c)	3,168,000,000	–	–	–
At 31 December 2016	3,520,000,000	2,782	58,174	60,956

23. SHARE CAPITAL (continued)

(a) Pursuant to the shareholders' resolution passed on 8 December 2014, an aggregate of 263,999,800 shares of HKD0.01 each of the Company were allotted and issued, credited as fully paid at par, by way of capitalisation of a sum of RMB2,087,000 from the share premium account to the Company's shareholders on 9 January 2015.

(b) In connection with the Company's IPO, 88,000,000 shares of HKD0.01 each were issued at a price of HKD0.88 per share for a total cash consideration of approximately HKD77,440,000 (equivalent to approximately RMB61,309,000) before share issue expenses.

The proceeds of HKD880,000 (equivalent to approximately RMB695,000), representing the par value have been credited to the Company's share capital and the remaining proceeds of HKD76,560,000 (equivalent to approximately RMB60,614,000) have been credited to the share premium account.

(c) At the Extraordinary General Meeting of the Company held on 26 May 2016, an ordinary resolution was duly passed under which each of the existing issued and unissued shares of HK$0.01 each in the share capital of the Company as of 27 May 2016 was subdivided (the "Share Subdivision") into ten shares of HK$0.001 each.

24. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2016 and prior years are presented in the consolidated statement of changes in equity on page 65 of the financial statements.

Capital reserve

The capital reserve represents the capital contribution from the shareholders of Gold Title Investments Limited prior to the incorporation of the Company and the capital contribution from the shareholders of the Company in 2016.

Contributed reserve

The Group's contributed reserve mainly represents the excess of (a) the fair value of the identifiable net assets of Future Bright (H.K.) Investment Limited and its subsidiary at the date of acquisition, over (b) the consideration paid to the former owner of Future Bright (H.K.) Investment Limited who was also a shareholder of Gold Title Investments Limited.

Safety fund surplus reserve

Pursuant to the *Notice regarding Safety Production Expenditure* jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, the Group is required to establish a safety fund surplus reserve based on the volume of marble blocks extracted. The safety fund can only be transferred to retained earnings to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

25. DISPOSAL OF SUBSIDIARIES

	Note	2016 RMB'000	2015 RMB'000
Net assets disposed of:			
Cash and cash equivalents		–	–
Due to holding company		(2,184)	–
		(2,184)	–
Foreign currency translation reserve		70	–
		(2,114)	–
Impairment loss of holding company		2,114	–
Gain on disposal of a subsidiary	5	39	–
		39	–
Satisfied by:			
Cash		39	–

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2016 RMB'000	2015 RMB'000
Cash consideration	39	–
Cash and bank balances disposed of	–	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	39	–

26. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to four years. At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	314	724
In the second to fourth years, inclusive	70	258
	384	982

27. COMMITMENTS

In addition to the operating lease commitments detailed in note 26 above, the Group had the following capital commitments at the end of the reporting period:

	2016	2015
	RMB'000	RMB'000
Authorized, but not contracted for:		
Property, plant and equipment	**28,100**	28,100

28. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2016	2015
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**5,149**	4,436
Pension scheme contributions	**83**	77
	5,232	4,513

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

	2016	2015
	RMB'000	RMB'000
Financial assets – loans and receivables		
Cash and cash equivalents	**22,641**	35,871
Trade receivables	**15,719**	5,998
Financial assets included in prepayments, deposits and other receivables	**1,111**	1,004
	39,471	42,873
Financial liabilities – financial liabilities at amortised cost		
Financial liabilities included in other payables and accruals	**2,301**	1,466
	2,301	1,466

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair value of the Group's financial instruments approximate their carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

At the end of each reporting period, neither the Group nor the Company had any financial asset or liability measured at fair value.

During the year ended 31 December 2016, there was no transfer between Level 1 and Level 2 fair value measurement and no transfer into or out of Level 3 fair value measurement.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as prepayments and other receivables and other payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's exposure to foreign currency risk relates to the Group's bank deposits denominated in HKD.

The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. Management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure when the needs arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in HKD rate %	Increase/ (decrease) in profit before tax 2016 RMB'000	Increase/ (decrease) in profit before tax 2015 RMB'000
If RMB weakens against HKD	5%	893	1,449
If RMB strengthens against HKD	5%	(893)	(1,449)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, deposits and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's cash and cash equivalents are deposited in major reputable financial institutions without significant credit risk. The credit risk of the Group's other financial assets, which comprise other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

At the end of the reporting period, the Group had certain concentrations of credit risk as 40.62% (2015: 64.52%) and 100% (2015: 100%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings and advances from the shareholders.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

Year ended 31 December 2016

	On demand RMB'000
Financial liabilities included in other payables and accruals	**2,301**
	2,301

Year ended 31 December 2015

	On demand RMB'000
Financial liabilities included in other payables and accruals	1,466
	1,466

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which equals to its net debt (total debts net of cash and bank balances) divided by total equity. Total debt is defined as interest-bearing bank loan and it excludes liabilities incurred for working capital purposes. As at 31 December 2016 and 31 December 2015, the Group has no interest-bearing bank loan balance. As such, no gearing ratios as at 31 December 2016 and 31 December 2015 are presented.

32. EVENTS AFTER THE REPORTING PERIOD

The Placing

On 26 January 2017, the Company entered into a placing agreement (the "Placing Agreement") with a placing agent (the "Placing Agent") to place up to 176,000,000 placing shares to not less than six placees who and whose ultimate beneficial owners shall be independent third parties at the placing price of HK$0.205 per placing share.

The Placing Agreement have been fulfilled and the completion of the Placing took place on 16 February 2017. A total of 170,000,000 placing shares have been successfully placed by the Placing Agent to not less than six placees at the placing price of HK$0.205 per placing share pursuant to the terms and conditions of the Placing.

The 170,000,000 placing shares represent approximately (i) 4.83% of the existing issued share capital of the Company immediately before the completion of the Placing; and (ii) 4.61% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	**28,680**	28,680
CURRENT ASSETS		
Due from subsidiaries	**28,650**	23,074
Prepayments, deposits and other receivables	**120**	191
Cash and cash equivalents	**15,799**	28,282
Total current assets	**44,569**	51,547
CURRENT LIABILITIES		
Other payables and accruals	**76**	308
Due to a subsidiary	**2,102**	1,764
Total current liabilities	**2,178**	2,072
NET CURRENT ASSETS	**42,391**	49,475
TOTAL ASSETS LESS CURRENT LIABILITIES	**71,071**	78,155
Net assets	**71,071**	78,155
EQUITY		
Issued capital	**2,782**	2,782
Reserves (note)	**68,289**	75,373
Total equity	**71,071**	78,155

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Contributed reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total reserves RMB'000
At 1 January 2015	7,941	20,868	(133)	(2,022)	26,654
Loss for the year	–	–	–	(4,766)	(4,766)
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	–	–	3,017	–	3,017
Total comprehensive income/(loss) for the year	–	–	3,017	(4,766)	(1,749)
Issue of ordinary shares	58,527	–	–	–	58,527
Share issue expenses	(8,059)	–	–	–	(8,059)
At 31 December 2015	58,409	20,868	2,884	(6,788)	75,373
At 1 January 2016	**58,409**	**20,868**	**2,884**	**(6,788)**	**75,373**
Loss for the year	**–**	**–**	**–**	**(10,081)**	**(10,081)**
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	**–**	**–**	**2,997**	**–**	**2,997**
Total comprehensive income/(loss) for the year	**–**	**–**	**2,997**	**(10,081)**	**(7,084)**
Issue of ordinary shares	**–**	**–**	**–**	**–**	**–**
Share issue expenses	**–**	**–**	**–**	**–**	**–**
At 31 December 2016	**58,409**	**20,868**	**5,881**	**(16,869)**	**68,289**

The Company's contributed reserve mainly represents the excess of (a) the fair value of the identifiable net assets of Future Bright (H.K.) Investment Limited and its subsidiary at the date of acquisition, over (b) the consideration paid to the former owner of Future Bright (H.K.) Investment Limited who was also a shareholder of Gold Title Investments Limited.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2017.

FINANCIAL SUMMARY

RESULTS

		Year ended 31 December			Period from 21 September to 31 December
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**12,909**	11,271	2,858	–	–
Loss before tax	**(10,905)**	(1,463)	(12,459)	(11,226)	(2,431)
Income tax (expense)/credit	**(1,004)**	(1,301)	225	1,428	410
Loss for the period/year attributable to owners of the Parent	**(11,909)**	(2,764)	(12,234)	(9,798)	(2,021)
Loss for the period/year attributable to owners of the Parent: Basic and diluted	**RMB0.34 cents**	RMB0.08 cents	RMB5.6 cents	RMB7.4 cents	N/A

			As at 31 December		
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**100,355**	107,915	66,747	60,717	60,410
Total liabilities	**(14,458)**	(12,811)	(24,745)	(14,352)	(11,544)
Net assets	**85,897**	95,104	42,002	46,365	48,866
Equity attributable to owners of the Parent	**85,897**	95,104	42,002	46,365	48,866

Future Bright Mining Holdings Limited
高鵬礦業控股有限公司