大愛無疆・德行天下

愛德新能源投資控股集團有限公司

Add New Energy Investment Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2623

2017
Annual Report

ADD NEW ENERGY INVESTMENT HOLDINGS GROUP LIMITED
ANNUAL REPORT 2017

CONTENTS

Corporate Information

BOARD OF DIRECTORS

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

Non-executive Director
Chau Ching

Independent Non-executive Directors
Li Xiaoyang
Lin Chu Chang
Zhang Jingsheng

COMPANY SECRETARY
Chan Yuen Ying, Stella

AUTHORISED REPRESENTATIVES
Geng Guohua
Chan Yuen Ying, Stella

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

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

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

AUDITOR
PricewaterhouseCoopers

LEGAL ADVISERS
As to Cayman Islands law:
Appleby

REGISTERED OFFICE
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTERS IN THE PRC
Qin Jia Zhuang
Yangzhuang Town
Yishui County
Shandong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 3105, 31/F
Tower 6, The Gateway
Harbour City, 9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

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

STOCK CODE
2623

COMPANY WEBSITE
http://www.addnewenergy.com.hk

Chairman's Statement

Dear Shareholders,

I present to our shareholders the annual results for the year ended 31 December 2017 of Add New Energy Investment Holdings Group Limited (the "Company") and its subsidiaries (collectively, the "Group").

BUSINESS REVIEW

The total comprehensive loss of the Group was approximately RMB140.4 million for the year ended 31 December 2017, representing an increase of approximately RMB23.4 million or approximately 20% as compared to that of approximately RMB117.0 million for the year ended 31 December 2016. This is mainly due to: the total comprehensive loss from discontinued operations of the Group amounting to approximately RMB54.4 million for the year ended 31 December 2017, representing an increase of approximately RMB42.7 million or approximately 364.9% as compared to that of approximately RMB11.7 million for the year ended 31 December 2016, and the total comprehensive loss from continuing operations of the Group amounting to approximately RMB86.0 million for the year ended 31 December 2017, representing a decrease of approximately RMB19.2 million or approximately 18.3% as compared to that of approximately RMB105.2 million for the year ended 31 December 2016.

In order to improve the downward pressure on the sluggish economy, the PRC government has stabilised the economic growth in many aspects. The government has introduced some large scale infrastructure construction projects, and also promoted a steady increase in overall steel market demand, however, the prices of iron concentrate still did not meet the management's expectations. The management still held a cautious attitude and decided to protect its own mine resources. To respond to the economic situation in 2017, the management mainly performed tasks in the following aspects:

I. Enhanced cash flow management to ensure stable and healthy corporate operations.

During the year, the Company recorded net cash inflows from operating activities of approximately RMB4.2 million, despite being in a state of loss. In respect of operations, the Company focused on increasing its revenue and reducing its operation costs, and set cash flows management as one of the priorities. The Company also improved the recovery of trade receivables (especially for the payment collection) and effectively controlled the market risks, allowing the Company to maintain optimal liquidity, thus enhancing its risk resistance effectively.

II. Enhanced safety production management to ensure compliance safety production.

During the year, the PRC has stressed on safety production management. Under the sluggish industry environment, the Group strictly complied with the requirements of the national laws and regulations related to safety production. We increased the investment in safety production, and strengthened mine backfilling. The backfilling work supported the hanging-wall rock and footwall rock of the mine, solidifying the mine and rib pillar around and creating favorable conditions for mining recovery of rib pillar and the mines around, which greatly enhanced the mining recovery rate. The backfilling work also eliminated the potential safety risks in mined-out areas by keeping surface configuration, thus maintaining the balance between safety production of the mine and the ecosystem and laying a solid foundation for further development of the Company.

III. Strengthened the research and development of the full titanium industrial chain and increasing the titanium and iron concentrate production capacity.

The Company continued to maintain its business relationship with the Chinese Academy of Sciences and the Russian Academy of Sciences. We constantly made great efforts in technology research and development and full titanium industrial chain development, looked for suitable partners for every section of the titanium industrial chain, and made certain progress in these aspects. Meanwhile, based on market recovery trend, the Company especially increased the production capacity for 46% titanium concentrates and the 65% iron concentrates. The Company aimed to maximize profits by promoting sales in the market window period. The Company made a significant progress particularly in enhancement of production technology for 46% titanium concentrates. In June 2017, the Group's Comprehensive Utilization of Ultra-low Vanadium Bearing Tinano-magnetite Iron Ore Resources Project won the Shandong Industrial Outstanding Contribution Project Award.

IV. Adjusted the directions for new energy technology development and optimized strategic plans to lay a solid foundation for future development of the Company.

During the year, the management has been continuously adjusting the ways on making full use of national policy related to new energy industry. It has conducted in-depth researches on the application of wind power generation, photovoltaic power generation and integrated technology of solar thermal power. Adhering to the long-term strategic plans instead of short-term planning, the Company optimized the development direction and focused on plans on highlighting the Company's edges in sustainable development. In particular, the Company made progress in the transformation of the integrated utilization of solar thermal power technology through continuous exploration and researches.

V. Valued talent reserves, strengthening employee trainings and improving remuneration system to maintain stable workforce.

In order to meet the needs for the Company's steady and long-term development, the Company sought excellent talents through investigation and assessment, and nurtured them with extra resources to establish a back-up talent team.

The Company strengthened the training and education for its employees. It particularly provided safety trainings, professional skills enhancement trainings and management enhancement trainings for employees in key positions and technicians.

The Company implemented strict remuneration management, and constantly improved the remuneration assessment and assignment system, making the system more reasonable and fully motivating the enthusiasm of employees.

VI. Disposed non-performing assets to avoid further loss on cash flow.

In the first quarter of 2013, the Group acquired Luxing Titanium together with the titanium processing techniques which have been absorbed by the Group and developed into more advanced techniques. However, the results of Luxing Titanium were unsatisfactory and it has been in loss for consecutive years due to market reasons. Luxing Titanium has been in net deficit and was unable to pay its debts due to prolonged loss and unfavorable market conditions for iron concentrate and ilmenite concentrate. The central government has further tightened their policies regarding the environmental protection of mines and mining safety. The expenses on reclamation and ecological restoration of mines for the purpose of environmental protection have gradually increased. The market prices are currently volatile and if such expenses further increase, more losses will be recorded under normal production and operation. Furthermore, with the increase in mining depth, cost will further rise. To avoid further loss on cash flow and further loss in following years, the Group disposed Luxing Titanium in November of this year.

VII. Mastered the brand new processing technique through researches.

Shandong Ishine, a wholly-owned subsidiary of the Group, conducted researches on the process of mineral processing technique, and has developed a brand new processing technique for non-magnetic minerals while breaking the limits of mineral processing. With a larger operating range, the new processing technique is able to process the non-magnetic minerals that could be processed before, while the operation is environmentally-friendly and reliable because the work process is purely physical. By the end of 2017, Yangzhuang Iron Mine commenced its first processing line remodeling for the brand new processing technique.

2018 DEVELOPMENT AND FUTURE PLANS

By closely following market demands and trend changes, the Group will maintain its competitive edge in the sector of its traditional principal businesses, including mining, production, sales of and other services for iron and titanium ores and concentrates and other protective mining resources. At the same time, the Group will continue to invest in the expansion of the titanium industrial chain and substantially promote its new energy business. The Group will make greater efforts towards the following plans in 2018 and further.

I. Utilising the TFe recycling technique acquired in 2017 and achieving mass production while maintaining its competitive edge in the sector of its traditional principal businesses

The Group will continue to maintain its competitive edge in mining, production and sales of protective mining resources, while providing after sales services to establish close relationships with upstream and downstream businesses within the industrial value chain of the sector. In particular, the Group will utilize the intellectual proprietary rights of the brand new processing technique acquired in 2017 and strengthen its efforts towards achieving mass production. The Group will aim to reach a mass production scale of 1.20 Mt or above and strive to bring economic benefits for the Group by leveraging on this technique. The Group will continue to make greater efforts in the planning and implementation of a comprehensive industrial value chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Based on internal research and development of production, the Group will continue to enhance research and development cooperation with the Chinese Academy of Sciences and technology transfer cooperation with the Russian Academy of Sciences with an aim to achieve significant technical breakthroughs. In response to market demands, the Group will make timely investments in technical transformation and strive to transform the above-mentioned technical advantages into productivity, with an aim to improve the profitability of the Company.

II. Actively expanding the clean energy business of solar thermal power

By applying the world's leading solar power generation technology, the Group will systematically rebuild a set of advanced solar thermal power generation system with the application of globally leading original innovations at every key point of such system (including research and development, production and manufacturing, and technological consultancy). The Group will aim to complete construction of the pilot project in 2018, which is expected to bring significant economic returns for the Group in 2019 and beyond.

The wind power project will be ready to generate income through cooperation or other means in the near future.

III. Seizing opportunities arising from the increasing market demand for lithium carbonate, while making preparations to sell lithium powder products by importing and processing spodumene with existing production lines

With the rapid development of artificial intelligence and battery powered vehicles, lithium carbonate products have been in keen market demand. For the sake of long term development in the long run, the Company has promptly recruited leading industry engineers and technicians and completed redesigning outmoded production lines in the shortest time possible to process and manufacture spodumene, thereby achieving industrial mass production of spodumene products in the original production line. At the same time, the Company has entered into a long-term agreement with an Australian mine corporation in respect of annual import of 0.4 Mt spodumene. It is expected that approximately 0.4 Mt of spodumene will be processed and manufactured in 2018, and approximately 0.08 Mt of lithium powder with a grade of 5.5% will be manufactured. The development of this business will generate long-term economic benefits for the Group.

IV. Capitalising on the platform as a listed group and taking proactive measures for various projects in the capital market

Capitalising on the financing platform as a listed group, the Group will take proactive and adequate measures in respect of shareholders communication and investor relations, while continuing to strengthen its financing efforts, expand its shareholder base and enhance liquidity of its shares. Financing will also be provided for key construction projects, merger and acquisition projects, or expansion of the titanium industry value chain.

In conclusion, the Group will realize the new profitability potential out of its traditional businesses in 2018, with spodumene as one of the main profit drivers in the long term, achieve significant breakthroughs in the new energy business and make preparations for commercial production. The Group will also strengthen its financing efforts through the capital market in order to help its various businesses build a solid basis for future performances. This will also make new contributions to the development of the real economy. The Group will actively seek new sources of economic growth, with a view to rewarding our investors with better returns.

Last but not least, I express sincere gratitude to all members of the Board for their valuable opinions. I would also like to express my gratitude to the management and all staff for their effort and dedication in their respective job positions.

Li Yunde
Chairman

Hong Kong, 28 March 2018

Add New Energy Investment Holdings Group Limited

Environmental, Social and Governance Report

2017

Environmental, Social and Governance Report 2017

Blossoming Flowers (Yangzhuang Iron Mine)

APPROACH TO SUSTAINABILITY

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

Reporting scope: Our report covers the sustainability performance of our Yangzhuang Iron Mine in Shandong Province, PRC from 1 January 2017 to 31 December 2017, unless otherwise stated. We have outsourced exploration, blasting and mining works of Yangzhuang Iron Mine to contractors; hence these activities are not included in our reporting scope. The Zhuge Shangyu Ilmenite Mine owned by the Group has been reduced production volume in the year, while Qinjiazhuang Ilmenite and the Gaozhuang Shangyu Ilmenite, also owned by the Group, remained dormant in production, therefore they are not included in the reporting boundary of this report.

Material Themes

About Our Business:
1. Business Perspective
2. Social and Environmental Expenditure
3. Environmental and Safety Licenses

Internal and External Governance:
1. Ethics and Conduct
2. Responsibility to Our Product
3. Supply Chain Management

Relationship with People:
1. Safety and Health
2. Employment Relations
3. Community Engagement
4. Training and Development

Relationship with the Environment:
1. Water Resources Management
2. Energy and Mineral Resources
3. Biodiversity and Land Use

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

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

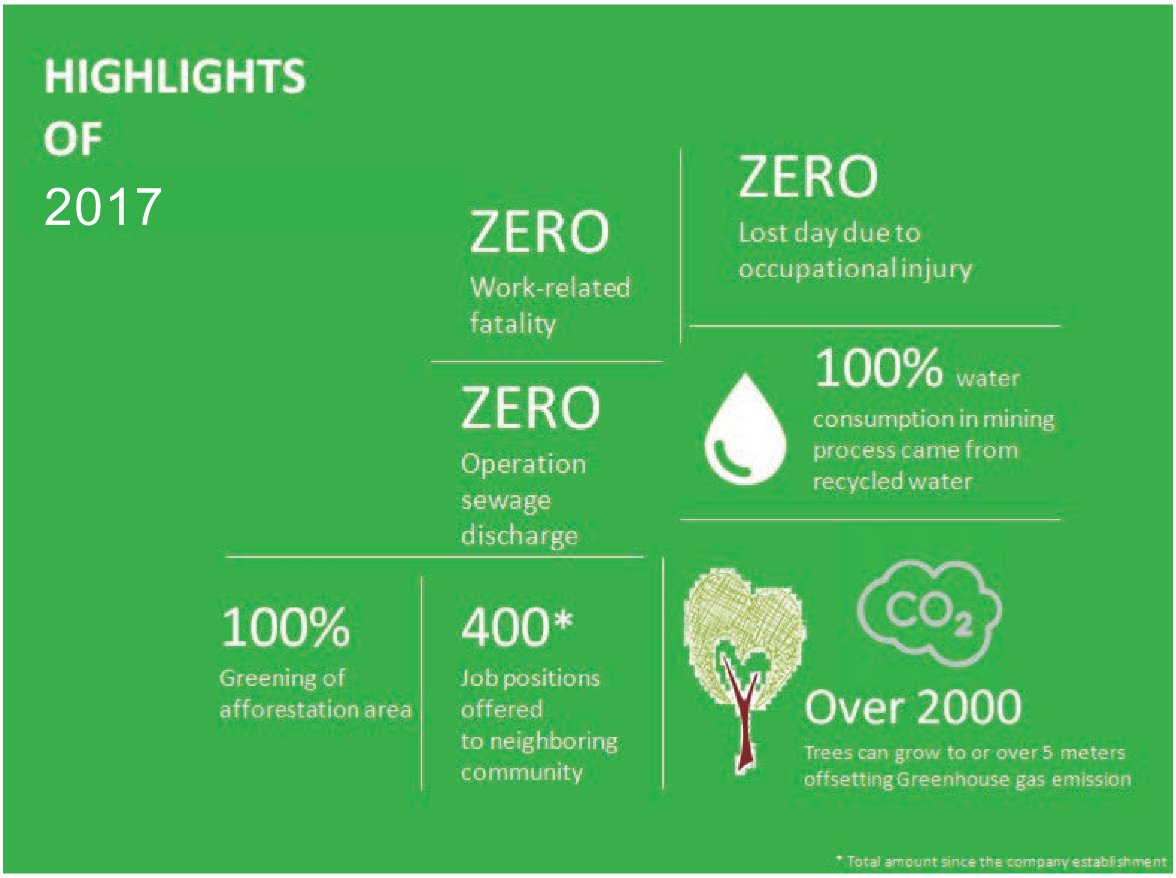
For more information about our social and environmental responsibility, please refer to the Group's official website: www.addnewenergy.com.hk.

APPROACH TO SUSTAINABILITY

Our Stakeholder Engagements

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

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


HIGHLIGHTS
OF
2017
ZERO
Work-related fatality
ZERO
Lost day due to occupational injury
100% water consumption in mining process came from recycled water
ZERO
Operation sewage discharge
100%
Greening of afforestation area
400*
Job positions offered to neighboring community
CO_2
Over 2000
Trees can grow to or over 5 meters offsetting Greenhouse gas emission
* Total amount since the company establishment

ABOUT OUR BUSINESS

Business Perspective

We are the largest private-owned iron ore and titanium producer in Shandong Province, People's Republic of China. Our currently owned mines include Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine, Qinjiazhuang Ilmenite Mine and Gaozhuang Shangyu Ilmenite Mine. Principally engaged in iron and ilmenite ore exploration, mining and processing, we focus on producing iron concentrate and plan on developing titanium concentrate business. Our products are sold directly to iron pellets and steel producers.

Our major operation in this reporting year focused on Yangzhuang Iron Mine. Total amount of **35,480 tons** of iron ore concentrate were produced, in response to the global iron concentrate market downturn. We exercised appropriate control on production and processing. We also further provided proper maintenance to the mines, in order to be well prepared for the production in a boom market.

ABOUT OUR BUSINESS

Social and Environmental Expenditures

We manage our impacts, both positive and negative, from the planning to the completion stage of our mining projects (more information can be found in the "Relationship with People" and "Relationship with the Environment" sections). Our commitment to sustainability is reflected in our investment of over **RMB53.4 million** since the company was established. Of this total, approximately **RMB52.2 million** was spent on natural resources preservation and ecosystem reclamation, and approximately **RMB1.2 million** was used to develop neighboring communities.

Types of our environmental expenditures include but not limited to:

– Cooperation with scientific and research institutions to improve ore processing techniques and preserving mineral resources;

– Innovation of patented tailing dry discharge system, saving water resources and minimizing tailing dam break;

– Afforestation to offset Greenhouse gas emissions;

– Land reclamation to enhance soil fertility;

Types of our social expenditures include but not limited to:

– Environmental management for neighboring community;

– Poverty relief, education system construction and activity sponsorship for the community;

Environmental and Safety Licenses

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

We successfully attained the exploration permit, mining right, and safety production permit of Yangzhuang Iron Mine and regularly extend their validity. Currently, the safety production permit is under the procedure for renewal and the mining right is valid to 2019, with an approved annual mining production scale of 2.3 million ton. There was no exploration and mining activities in 2017, in which 285,649 tons was processed and 35,480 tons of iron ore concentrate was produced in this reporting year.

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

INTERNAL AND EXTERNAL GOVERNANCE

Ethics and Conduct

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

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

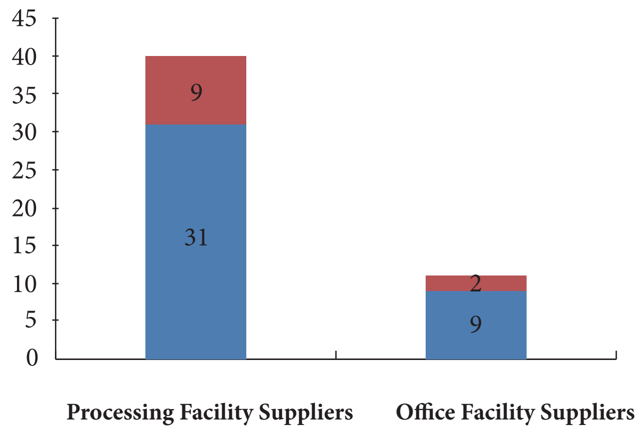
0 **Legal Cases**

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

INTERNAL AND EXTERNAL GOVERNANCE

Supply Chain Management

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



One example of our efforts in reducing supplier's environmental impact – we are concerned about the carbon footprint produced by goods transportation from suppliers to us. Currently there are 78% processing facility suppliers and 82% office facility suppliers stationed within Shandong Province, thereby reducing unnecessary indirect GHG emissions.

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

INTERNAL AND EXTERNAL GOVERNANCE

Responsibility to Our Product

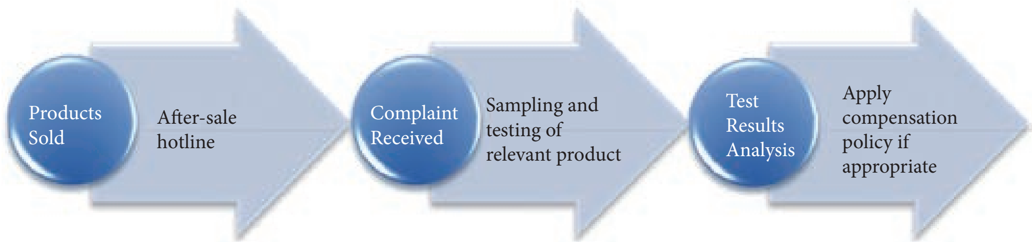
Production Quality Assurance

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

After-sale Services

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

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



Privacy

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

Technology Innovation

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

Protection of Intellectual Property Right

In order to strengthen the protection of intellectual property rights and standardize intellectual property management, we have established an intellectual property rights department and internal policies. Our intellectual property rights include: 1. Patent rights and technology secrets; 2. Trademark rights and know-how; 3. Copyright (including computer software & programmes); and 4. Other intellectual properties related to national laws and regulations. In particular, our tailing dry discharge system has obtained a national patent in PRC, and has substantially improved our utilization rate of water and mineral resources.

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

RELATIONSHIP WITH PEOPLE

Health and Safety

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

0 **Number of deaths due to work**

0 **Number of working days lost due to work injury**

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

To implement our safety policy, our detail approaches to enhance employee occupational safety are as follows:

– Developing emergency rescue plans and regularly holding exercises;

– Holding regular safety meetings;

– Providing education and trainings for employees;

– Holding safety meetings regularly with our blasting and mining contractors;

– Organizing physical examination on occupational hazards for employees before, during and after operations;

– Setting up emergent sheltering system, monitoring and inspection system, personal location system (PLS), communication system, water and air supply system for the worker(s) underground;

– Upkeeping underground drainage system to prevent flooding;

– Building specific rooms and corridors for safety education and promotion.

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

RELATIONSHIP WITH PEOPLE

Employment Relations

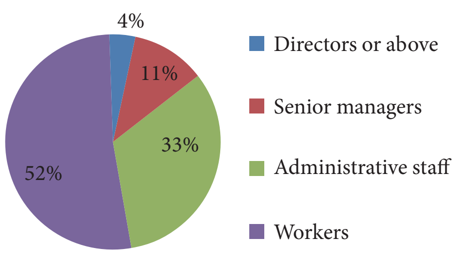
We value our human resources, which is reflected in our people-oriented management philosophy. We formulated rigorous regulations on recruitment and employment processes to standardize recruitment procedures, and avoid any unfair recruitment issue as well as optimally strengthen the Company's core competitiveness. We mainly emphasize an open recruitment process in compliance with employment recruitment regulations. The HR department is responsible for the recruitment process while the supervisory department conducts handle internal audit on the process. If any process is found to be against regulations, including recruitment of juveniles under the age of 16, forced labour and illegal labour, the HR department and the supervisory department would have a joint investigation and implement disciplinary measures according to regulations.

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

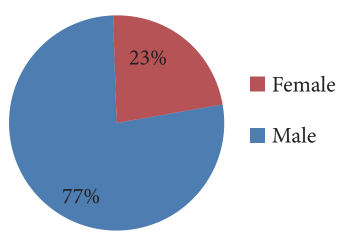
To protect employees' legal rights, we have set up employee social security management regulations as per relevant national regulations, guaranteeing to ensure employees' due benefits. Also, in order to guarantee employees' human rights and to improve their working efficiency, we have formulated regulations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

By the end of this reporting year, we had a total of 132 workers excluding our contractors, with the following distribution characteristics:

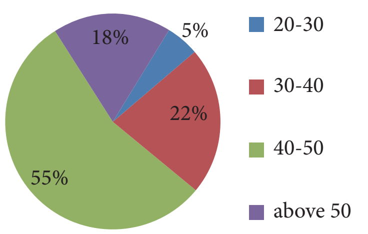
Distribution by Position



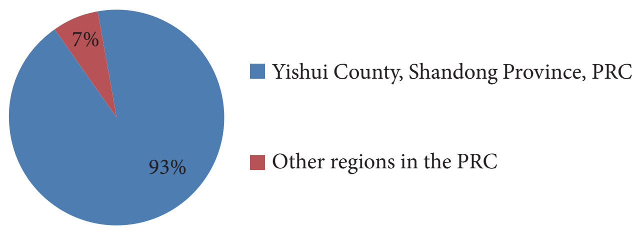
Distribution by Gender



Distribution by Age



Distribution by Region



Turnover Rate

By the end of this reporting year, our turnover rate was 40.5% – mostly from frontline workers. Generally the high turnover rate of frontline workers occurs over the Chinese New Year period in mainland China.

Category	2017 Turnover Rate (%)
By Gender	
Male	36.9%
Female	3.6%
By Position	
Directors and above	0.0%
Senior Managers	0.5%
Administrative Staff	6.3%
Workers	33.7%
By Age	
Between 18-20	0.0%
Between 20-30	0.5%
Between 30-40	9.4%
Between 40-50	28.4%
Above 50	2.2%
By Region	
Yishui County, Shandong Province, PRC	40.5%
Other regions in the PRC	0.0%

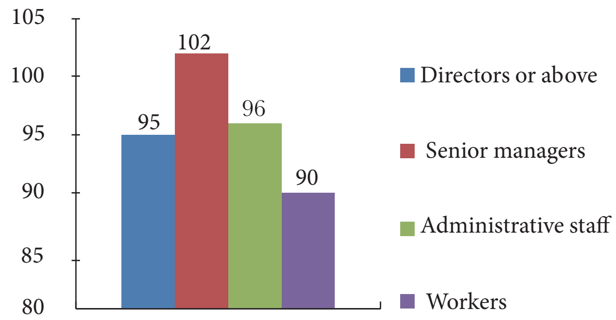
Our HR department has hold regular discussions and communications with employees and conduct annual satisfaction survey. At the end of each year, there would be an investigation sampling all employees on their opinions towards the Group's management, policies, culture, welfare and environment, etc. This communication approach helps the management to better understand its employees, and thereby reducing turnover rate. In this reporting year, types of investigations including face-to-face conversation, satisfaction questionnaire had been applied. The investigations involved 105 people and the results showed that employees reached a good balance of work and life, reflecting a positive feedback on the management of the company.

RELATIONSHIP WITH PEOPLE

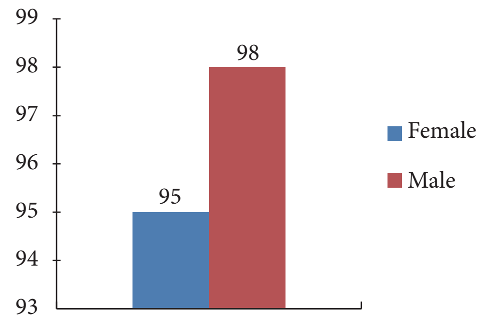
Training and Development

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

Annual Average Training Hours By Position



Annual Average Training Hours By Gender



All of our employees participated in internal training courses with an annual average of 97 hours in the reporting year. All of our staff are protected under equal opportunity policy, which shows no discriminatory treatment in gender.

RELATIONSHIP WITH PEOPLE

Community Engagement

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

Caring about and supporting public education, we had donated a culminated amount of RMB121,000 to the public education development within Yangzhuang Iron Mine's neighboring community – Yishui County, including construction of several community schools.

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

To develop a sustainable environment, we invested over RMB120,000 in environmental management of neighboring communities. We not only take comprehensive utilization of our by-products to mining reclamation and provide self-planted fruits and vegetables to villagers for free, but we also invested in greening barren mountains, greening villages and providing haze disaster relief, etc.

For poverty relief and charities, we had contributed over RMB263,500 for relieving lonely elderly without family and constructing community facilities.

To further contribute to society and benefit the community while improving the Group's image, we had contributed over RMB700,000 for community activities for and also took an active part in these activities.

Land reclamation – flower scent in Yangzhuang Iron Mine

Environmental, Social and Governance Report 2017

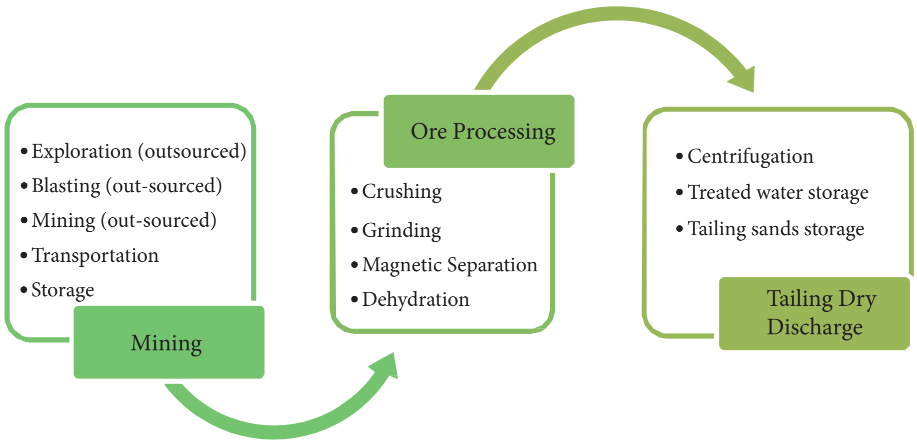
Flowers blossom in the Spring Season (Yuanzhuang Iron Mine)

RELATIONSHIP WITH THE ENVIRONMENT

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

The resources consumed in 2017 were listed by type with total consumption amounts and intensities by output as below. The iron ore concentrate output for the reporting year is 35,480 tons.

Resource Type	**Total Amount of Consumption**	**Resource Consumption Intensity (per ton output)**
Water ***(mining, processing, municipal use)***	890,000 m^3	25.08 m^3
Electricity ***(mining, processing, municipal use)***	6,033,571 kwh	170.06 kwh
LPG ***(municipal use)***	120 kg	0.003 kg
Diesel ***(transportation use)***	102,810 kg	2.90 kg



Our production activities mainly include mining, ore processing and tailing dry discharge, and their respective potential environmental impacts.

1. Potential impacts on air quality:
   - Particulate matters (PM) produced and emitted during mining and ore processing stages
   - Greenhouse gases (GHG) produced and emitted in all operation stages
   - Air pollutants produced and emitted in the blasting and transportation steps

2. Potential impacts on water resources:
   - Reduction in underground water availability in the exploration and blasting steps
   - Change in surface and underground water dynamics in the exploration and blasting steps
   - Degradation of water quality during the ore processing stage

3. Potential impacts on land:
   - Land occupation by treated water and tailing sands storage
   - Change of geographical structure in exploration and blasting steps

4. Potential impacts on ecosystem:
   - Habitat loss in mine operation area and outside mine operation area
   - Loss in fauna and flora richness, diversity and population
   - Fragmentation of ecosystems

We have set up dedicated measures to avoid and reduce environmental impacts in these aspects, details of which are introduced in the following sections.

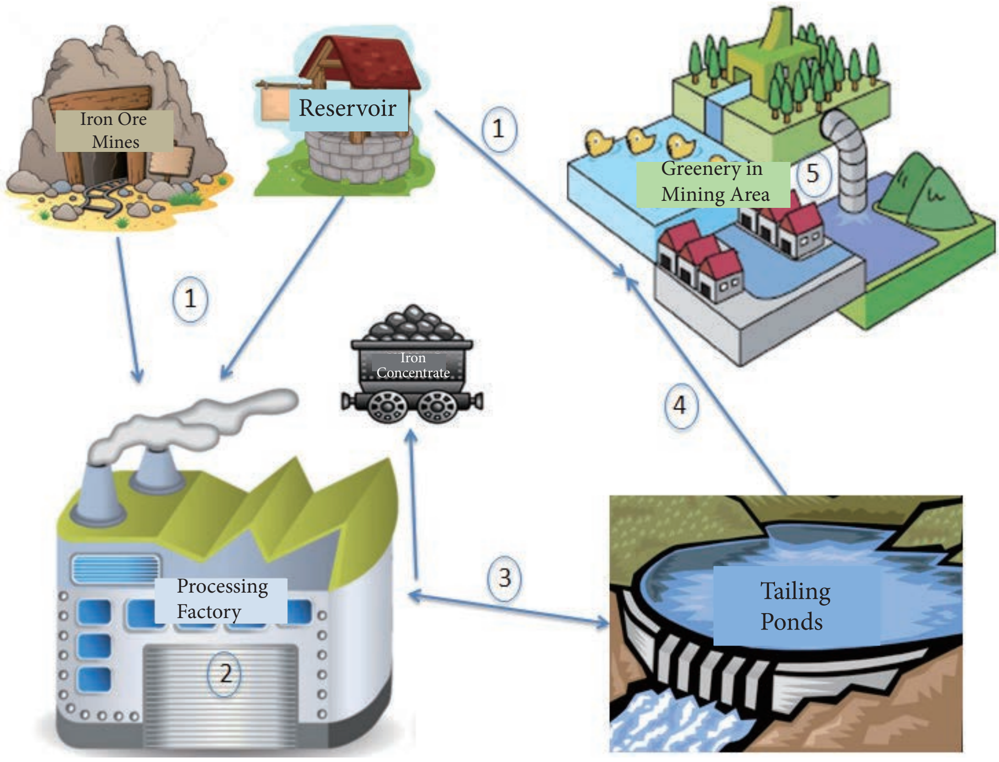
RELATIONSHIP WITH THE ENVIRONMENT

Water Resources Management

Spring lake (Yangzhuang Iron Mine)

Zero sewage discharge as one of the first listed green mine in China, truly reflects our fundamental principle of "Reduce and Reuse Water". Here we specified zero sewage discharge in processing activities and municipal sewage, which were collected and directed to our tailing dry discharge system and municipal sewage treatment facilities respectively. Amount of water used for dust suppression mitigation measures is considered minimal and evaporates quickly, and thus is not discussed in the report.

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



1. Collect underground water from rain water, reservoir and mines for mining and processing use, while some well water is used for daily purposes;

2. Water is used in the iron ore extraction process; and waste water is collected by recycling equipment;

3. Waste water from processing factory is treated by tailing dry discharge system to separate water and tailing sands, and treated water is stored in tailing ponds for recycling use in processing factory;

4. Part of treated water from tailing pond will be inputted in our artificial lake;

5. In addition, our domestic sewage will be treated by our owned treatment plant and then to be used for irrigation.

Our water reclamation and tailing dry discharge system is not only certified as a national patent, its treatment capacity also fully meets the amount of water needed for our production in the reporting year, achieving complete utilisation of recycled water in production. Water quality of both water resources and treated sewage comply with relevant national standards and are eligible to be used for corresponding production, daily living and greenery purposes.

RELATIONSHIP WITH THE ENVIRONMENT

Energy and Mineral Resources

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

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

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

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

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

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

Almond flowers white like clouds (Yangzhuang Iron Mine)

GHG Emissions and Removals in 2017

GHG Emissions	Tons of CO_2e	CO_2e/total output[c] (tons of CO_2e/ton)
Scope 1 Stationary Sources	**0.42**	/
Scope 2 Non-renewable Grid Electricity	**4,823.84**	/
Total	**4,824.26**	**0.14**

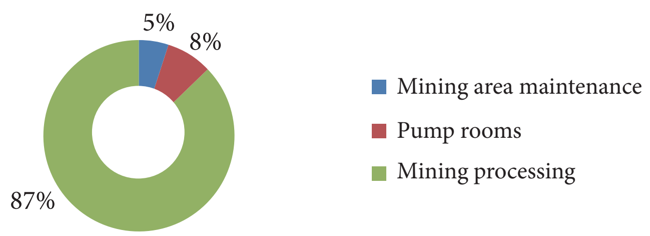
Remark:

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

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

(c) The output unit is per tons of produced iron ore concentrate. Total produced iron ore concentrate was 35,480 tons in the reporting year.

Scope 1 and Scope 2 GHG Emissions By Source
Total tons of CO_2e



Scope 3 Indirect GHG Removals	Planted Tree Quantity	Tons of CO_2e
Persimmon Tree	214	4.922
Gingko	74	1.702
Acacia	105	2.415
Willow	383	8.809
Lodgepole Pine	216	4.968
Cedar	200	4.6
Platanus	87	2.001
Locust	1	0.023
Elm	2	0.046
Pagoda	596	13.708
White Poplar	404	9.292
Total	**2,282**	**52.486**

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

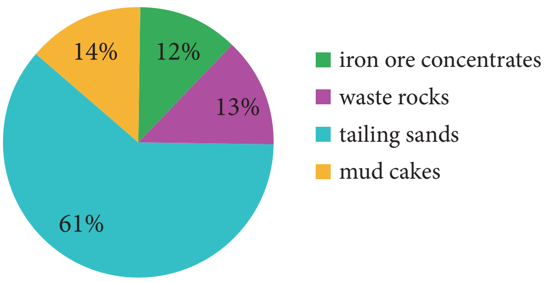
Based on our current consumed energy type, we are moving forward to take utilisation of renewable energy (e.g. wind power electricity generation) to partly substitute existing energy types.

Tree-lined road (Yangzhuang Iron Mine)

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

Mining Processing Products of 2017

Total tons of iron ore



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

In 2017, we processed about 285,649 tons of iron ores and produced 35,480 tons of iron ore concentrates as our final product. This process produced wastes, including waste rocks, tailing sands and mud cakes. Waste rocks were used for paving roads; tailing sands and mud cakes were used for gob stowing and land reclamation. These comprehensive utilisations of all processing by-products minimised formation of tailing dams, thereby reducing land demand and potential risks of tailing dams break.

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

No hazardous emissions were produced as only physical processes instead of chemicals were adopted in our mining processing factories.

RELATIONSHIP WITH THE ENVIRONMENT

Biodiversity and Land Use

The nature of our business principally has impact on local physical environment, which in turn has influence on its biotic environment. Without a proper management system, the ecosystem may become imbalanced, culminating in irreversible environmental impact. Thus, we put emphasis on the protection of our lands and biodiversity through prevention, control, mitigation and compensation. In recent years, we invested over RMB52 millions in natural resources preservation (water source, mineral sources, etc.) and ecological construction.

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

For open-pit mining environment and tailing dams which were adopted before the establishment of the company, we applied afforestation to outdoor mining area; and slope cutting, broadening, strengthening, and afforestation of tailing dams to minimise potential dam break concerns. All our achievements were witnessed by government and community, and we eventually became one of the first mining companies being certified as “State Green Mine” by Ministry of Land and Resources and China Mining Association becoming one of the five iron mines certified. In May 2016, the company has achieved the top 10 of the most influential Green Eco-friendly corporation for 2015 in Shandong Province.

Land reclamation-Peanuts Plantation (Yangzhuang Iron Mine)

BUSINESS REVIEW

The principal activities of the Group are iron and ilmenite ore exploration, iron ore and ilmenite ore mining, iron ore processing to produce iron concentrates and titanium concentrates and trading of iron concentrates in Shandong Province, the People's Republic of China (the "PRC" or "China"). Since 2013, the Group has started to engage in ilmenite ore mining and ilmenite ore processing to produce and sell iron concentrates and titanium concentrates, establish the full titanium industrial chain, finance lease activities and wind power electricity generation in Shandong Province, the PRC.

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

The Company actively responded to the government's call and seized the opportunities provided by national policies by developing clean energy such as wind power, photovoltaic power and solar thermal power into new economic growth points, which have made substantial progress. In order to better reflect the Company's strategic business plan and expanding into new business including (but not limited to) clean energy business, sticking to the development of iron and titanium concentrates business, deepening and expanding the building of whole industrial chain of titanium products including sponge titanium and high purity titanium.

The Group's revenue from continuing operations decreased by approximately RMB27.0 million, or approximately 47.1%, to approximately RMB30.3 million for the year ended 31 December 2017, as compared with approximately RMB57.3 million for the year ended 31 December 2016. The decrease in revenue was primarily due to (1) the decrease in turnover by approximately RMB22.5 million from trading of coarse iron powder and (2) the decrease in sales of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine by approximately RMB5.9 million, which was offset by the increase in sales of iron concentrates produced from Yangzhuang Iron Mine by approximately RMB4.60 million for the year ended 31 December 2017.

The total comprehensive loss of the Group was approximately RMB140.4 million for the year ended 31 December 2017, representing an increase of approximately RMB23.4 million or approximately 20% as compared to that of approximately RMB117.0 million for the year ended 31 December 2016.

This is mainly due to:

1. The total comprehensive loss from continuing operations of the Group was approximately RMB86.0 million for the year ended 31 December 2017, representing a decrease of approximately RMB19.2 million or approximately 18.3% as compared to that of approximately RMB105.2 million for the year ended 31 December 2016 due to the following main reasons: (1) Administrative expenses decreased approximately RMB36.3 million as compared to that of the same period last year, which is mainly due to impairment losses in assets decreased approximately RMB21.7 million compared to that of the same period last year, and depreciation costs in fixed assets decreased approximately RMB9.3 million for the year. (2) Finance expenses decreased approximately RMB15.2 million as compared to that of the same period last year, which is primarily due to exchange rate fluctuations of the Hong Kong dollar; foreign exchange gains for the year of approximately RMB5.1 million increased approximately RMB10.2 million as compared to foreign exchange losses of approximately RMB5.1 million for the same period last year; interest expense from borrowings decreased approximately RMB4.0 million for the year. (3) Gross profit decreased approximately RMB39.8 million as compared to that of the same period last year, mainly due to increased cost of sales from filling expenses of approximately RMB38.9 million in the mined-out areas of the Yangzhuang Iron Mine in 2017.

2. The total comprehensive loss from discontinued operations of the Group was approximately RMB54.4 million for the year ended 31 December 2017, representing an increase approximately RMB42.7 million or approximately 364.9% as compared to that of approximately RMB11.7 million for the year ended 31 December 2016 for the following reasons: (1) The Group recorded a loss for the year of approximately RMB60.3 million from the disposal of Luxing Titanium. (2) The Group recorded gains at fair valuation of approximately RMB12.8 million as at the date of when control was lost over Australia Ishine International. (3) Luxing Titanium recorded a loss for the year of approximately RMB5.7 million; Australia Ishine International recorded a loss for the year of approximately RMB2.4 million. Loss for the year from both companies amounted to a total of approximately RMB8.1 million, representing a decrease of approximately RMB4.4 million as compared to that of approximately RMB12.5 million for the same period last year.

Measures adopted by the management in 2017:

I. Enhanced cash flow management to ensure stable and healthy corporate operations.

During the year, the Company recorded net cash inflows from operating activities of approximately RMB4.2 million, despite being in a state of loss. In respect of operations, the Company focused on increasing its revenue and reducing its operation costs, and set cash flows management as one of the priorities. The Company also improved the recovery of trade receivables (especially for the payment collection) and effectively controlled the market risks, allowing the Company to maintain optimal liquidity, thus enhancing its risk resistance effectively.

II. Enhanced safety production management to ensure compliance safety production.

The PRC has stressed on safety production management since the beginning of 2017. Under the sluggish industry environment, the Group strictly complied with the requirements of the national laws and regulations related to safety production. We increased the investment in safety production, and strengthened mine backfilling. The backfilling work supported the hanging-wall rock and footwall rock of the mine, solidifying the mine and rib pillar around and creating favorable conditions for mining recovery of rib pillar and the mines around, which greatly enhanced the mining recovery rate. The backfilling work also eliminated the potential safety risks in mined-out area by keeping surface configuration, thus maintaining the balance between safety production of the mine and the ecosystem and laying a solid foundation for further development of the Company.

III. Strengthened the research and development of the full titanium industrial chain and increasing the titanium and iron concentrate production capacity.

The Company continued to maintain its business relationship with the Chinese Academy of Sciences and the Russian Academy of Sciences. We constantly made great efforts in technology research and development and full titanium industrial chain development, looked for suitable partners for every section of the titanium industrial chain, and made certain progress in these aspects. Meanwhile, based on market recovery trend, the Company especially increased the production capacity for 46% titanium concentrates and the 65% iron concentrates. The Company aimed to maximize profits by promoting sales in the market window period. The Company made a significant progress particularly in enhancement of production technology for 46% titanium concentrates. In June 2017, the Group's Comprehensive Utilization of Ultra-low Vanadium Bearing Tinano-magnetite Iron Ore Resources Project won the Shandong Industrial Outstanding Contribution Project Award.

IV. Adjusted the directions for new energy technology development and optimized strategic plans to lay a solid foundation for future development of the Company.

During the year, the management has been continuously adjusting the ways on making full use of national policy related to new energy industry. It has conducted in-depth researches on the application of wind power generation, photovoltaic power generation and integrated technology of solar thermal power. Adhering to the long-term strategic plans instead of short-term planning, the Company optimized the development direction and focused on plans on highlighting the Company's edges in sustainable development. In particular, the Company made progress in the transformation of the integrated utilization of solar thermal power technology through continuous exploration and researches.

V. Valued talent reserves, strengthening employee trainings and improving remuneration system to maintain stable workforce.

In order to meet the needs for the Company's steady and long-term development, the Company sought excellent talents through investigation and assessment, and nurtured them with extra resources to establish a back-up talent team.

The Company strengthened the training and education for its employees. It particularly provided safety trainings, professional skills enhancement trainings and management enhancement trainings for employees in key positions and technicians.

The Company implemented strict remuneration management, and constantly improved the remuneration assessment and assignment system, making the system more reasonable and fully motivating the enthusiasm of employees.

VI. Disposed non-performing assets to avoid further loss on cash flow.

In the first quarter of 2013, the Group acquired Luxing Titanium together with the titanium processing techniques which have been absorbed by the Group and developed into more advanced techniques. However, the results of Luxing Titanium were unsatisfactory and it has been in loss for consecutive years due to market reasons. Luxing Titanium has been in net deficit and was unable to pay its debts due to prolonged loss and unfavorable market conditions for iron concentrate and ilmenite concentrate. The central government has further tightened their policies regarding the environmental protection of mines and mining safety. The expenses on reclamation and ecological restoration of mines for the purpose of environmental protection have gradually increased. The market prices are currently volatile and if such expenses further increase, more losses will be recorded under normal production and operation. Furthermore, with the increase in mining depth, cost will further rise. To avoid further loss on cash flow and further loss in following years, the Group disposed Luxing Titanium in November this year.

VII. Mastered the brand new processing technique through researches.

Shandong Ishine, a wholly-owned subsidiary of the Group, conducted researches on the process of mineral processing technique, and has developed a brand new processing technique for non-magnetic minerals while breaking the limits of mineral processing. With a larger operating range, the new processing technique is able to process the non-magnetic minerals that could be processed before, while the operation is environmental-friendly and reliable because the work process is purely physical. By the end of 2017, Yangzhuang Iron Mine commenced its first processing line remodelling for the brand new processing technique.

OPERATION OVERVIEW AND CAPITAL EXPENDITURE

By closely following market changes, the Group continued to develop the titanium business, adjusted titanium and iron concentrates production in a timely manner and further expanded new energy business so as to protect the interests of shareholders and investors.

I. Continuing sparing no efforts to develop titanium business

The Group continued to make great efforts in planning and implementation of a comprehensive industrial chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. In addition to the above-mentioned internal production research and development, the production recovery of titanium concentrates by 46% this year was seen as a promising market outlook. The Group continued to enhance technology cooperation with the Chinese Academy of Sciences and the Russian Academy of Sciences, closely monitored market changes and made timely investment preparations, while striving to transform these technical advantages into production capabilities and to improve profitability of the Company.

II. Expanding into new businesses relating to clean energy

Riding on the breakthrough made in respect of new energy projects in 2016, the Group integrated external resources to deepen cooperation and achieved results in respect of the development of renewable resources, such as wind power, solar energy and solar thermal power so as to seek for a breakthrough in profit increase.

In 2017, the Group invested approximately RMB0.8 million in the wind power project of Yishui Shengrong. In respect of solar thermal comprehensive energy engineering applications, the Group has acquired leading technologies within the country and has achieved substantial progress.

III. Advancing the soil pollution treatment business by way of promptly putting microbial technology into practical use

In order to solve soil pollution problems, the Ministry of Environmental Protection of the PRC has drafted and implemented the "Soil Pollution Treatment Action Plan". By transforming and making use of the acquired skills and technologies of efficient and high quality microbial fertilizer, the Company endeavored to make investments or carry out cooperation in a timely manner on the production of efficient and organic microbial fertilizer according to market demands. In doing so, the Company participated in solving the problems currently faced in China, including soil compaction, pesticide and fertilizer residue and heavy metals contamination issues, and capitalized on which the Company will be able to increase profit and improve profitability.

IV. Production and operation of titanium and iron mines

1. Yangzhuang Iron Mine

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

The Group planned to decide whether to mine and process its own mines based on the market conditions. It analysed operating risks and judged the timing for trading, and based on profitability to decide whether to process with part of coarse powders purchased from other suppliers. In 2017, the iron ore processed and iron concentrates with 65% iron content produced in the Yangzhuang Iron Mine amounted to 0.286 Mt and 0.035 Mt, respectively.

In 2017, the Group invested approximately RMB3.7 million in Yangzhuang Iron Mine of which approximately RMB1 million was invested in equipment for the brand new processing lines. Due to the market condition, there was no exploration and mining activity carried out in the mine.

2. Zhuge Shangyu Ilmenite Mine

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

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

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

In 2017, the Group invested approximately RMB3.7 million in processing line and production line as well as infrastructure in Zhuge Shangyu Ilmenite Mine.

In 2017, the ilmenite ore mined, ilmenite ore processed, ilmenite concentrates with 46% titanium content produced and iron concentrates with 57% iron content produced in the Zhuge Shangyu Ilmenite Mine amounted to approximately 0.197 Mt, 0.188 Mt, 0.003 Mt and 0.003 Mt, respectively. There was no exploration, mining or processing activity carried out in the mine.

3. Qinjiazhuang Ilmenite Mine

In 2017, the Group was determining whether it will make investment in or conduct production activities at Qinjiazhuang Ilmenite based on market changes.

Due to the market condition, there was no investments made and no exploration or production activities carried out in the mine in 2017.

4. Luxing Titanium

The Group completed the disposal of Luxing Titanium in November 2017. Luxing Titanium has been operating at a loss on a long-term basis and has been unable to offset its debts with its capitals, the disposal has prevented the Group from incurring any further loss on its cash flows for the subsequent years.

5. Gaozhuang Shangyu Ilmenite Mine

In 2017, there was no capital expenditure and no exploration and mining activity carried out in the mine.

V. Development of green mines

The Group enhanced the internal construction of green mining. It practised green mining throughout the daily operation of the mines; improved corporate management system and safety measures; organised regular trainings with the aim to enhance the professional skills of staff and extend corporate culture. It enhanced the interaction with local communities and established a sound system of consultation and coordination. On top of that, it increased the enterprise-local cooperation on projects by capitalising on its own advantages as an enterprise so as to actively promote the local economic development and the enterprise-local integration. By way of legal, scientific and green mining, the Group gradually turned its resource advantages into economy, social and environment advantages with an aim to realise green mining practices, harmonious community, circular economy and diversified and sustainable development.

In 2017, by closely following market changes, the Group stuck to the development of titanium business, adjusted titanium and iron concentrates production in a timely manner and focused on expanding new energy business, particularly for solar thermal projects. The Group made targeted adjustment to its working plan and actively sought for new sources of economic growth.

RESOURCES AND RESERVES OF MINES

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

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

Yangzhuang Iron Mine

1. Resource reporting cutoff grade: 15% TFe

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

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

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

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

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

7. Parameters for Short Hole Shrinkage mining method:

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

Reason for the changes in the resources and reserves estimates:

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

Zhuge Shangyu Ilmenite Mine

1. Resource reporting cutoff grade: 9.2% TiO_2 equivalent.

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

3. Mineral resources are inclusive of the ore reserve.

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

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

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

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

Reason for the changes in the resources and reserves estimates:

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

Qinjiazhuang Ilmenite Project

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

There was no exploration or mining activity carried out in Qinjiazhuang Ilmenite Project from 1 January 2014 to 31 December 2017.

Based on (1) the resources and reserves under the JORC for the Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine and Qinjiazhuang Ilmenite Project as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012; and (2) the estimated amount of ores mined by the Group from November 2011 to December 2013, the Group's estimated resources and reserves as at 31 December 2017 were as follows:

JORC ore reserve estimate as of 31 December 2017: ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2017. On 2 November 2017, the Group disclosed the area of exploration was changed in Zhuge Shangyu, which deduced the total reserve.)***

	Yangzhuang Iron Mine	**Zhuge Shangyu Ilmenite Mine**	**Qinjiazhuang Ilmenite Project**
Ore reserves (Mt)			
– proved	5.86	199.40	45.33
– probable	31.20	204.50 *(Note)*	41.30
Total ore reserves	37.06	403.90	86.63
Grade of total iron (TFe) (%)			
– proved	24.15	12.78	13.50
– probable	24.65	12.83	13.61
Average grade of total iron (TFe) (%)	24.55	12.82	13.56
Grade of titanium dioxide (TiO_2) (%)			
– proved	N/A	5.76	4.52
– probable	N/A	5.65	4.48
Average grade of total titanium dioxide (TiO_2) (%)	N/A	5.69	4.50

Note: Out of the total probable reserves, about 199.71 Mt is underground reserves.

JORC ore reserve estimate as of 31 December 2016: ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2016)***

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiazhuang Ilmenite Project
Ore reserves (Mt)			
– proved	5.86	199.60	45.33
– probable	31.20	346.20 (Note)	41.30
Total ore reserves	37.06	545.80	86.63

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

Yangzhuang Iron Mine resources estimate as of 31 December 2017: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2017)***

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

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

Zhuge Shangyu Ilmenite Mine resources estimate as of 31 December 2017: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2017. On 2 November 2017, the company disclosed the area of exploration was changed in Zhuge Shangyu, which deduced the total reserve.)***

Resources Category	**Resources** *(Mt)*	**SG** *(t/m³)*	**TiO_2** *(%)*	**TFe** *(%)*
Measured	372.6	3.19	6.23	14.04
Indicated	118.3	3.13	6.14	14.18
Total Measured and Indicated	490.9	3.17	6.19	14.10
Inferred	4.0	3.13	5.92	15.03
Total Resources	494.9	3.16	6.19	14.10

Management Discussion and Analysis

Qinjiazhuang Ilmenite Project resources estimate as of 31 December 2017: ***(Note: JORC mineral resources as of 31 December 2013, there was no mining activity or exploration activity carried out from 1 January 2014 to 31 December 2017)***

Resources Category	**Resources** *(Mt)*	**SG** *(t/m³)*	**TiO_2** *(%)*	**TFe** *(%)*
Measured	46.2	3.23	4.90	14.72
Indicated	42.1	3.19	4.88	14.84
Total Measured and Indicated	88.3	3.21	4.89	14.78
Inferred	11.3	3.29	5.06	15.05
Total Resources	99.6	3.22	4.91	14.81

Gaozhuang Shangyu Ilmenite Project

Gaozhuang Shangyu Ilmenite Project is located in Yishui County and Yinan County of Shandong Province, the PRC. Shandong Ishine has engaged an independent third party surveying agency to conduct preliminary exploration work in the Gaozhuang Shangyu Ilmenite Project and the work was completed in 2012. It has exploration rights over an area of approximately 1.53 km^2, with the exploration term expiring in March 2019. According to Titanium Mine Detailed Survey Report in respect of the project, it was estimated that the exploration area had approximately 46.0 Mt of resources of Type 332 and 333 of ilmenite ores as at 2 September 2012 under PRC classification standard with an average grading of iron and titanium contents of approximately 12.4% and 6.8%. As there is no change in resources and reserves from October 2012 to December 2017, the Group did not have any plan to carry out mining work or other expansion plan.

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES AND COSTS

The table below sets out a summary of the costs of the Group's exploration, development and mining production activities:

	Year ended 31 December	
	2017	2016
	Kt	*Kt*
Production Volume		
Feed tonnage	**197**	–

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Mining Costs		
Workforce employment	**577**	–
Transportation	**193**	–
Fuel, electricity, water and other services	**74**	–
Non-income taxes, royalties and other governmental charges	**104**	–
Filling Expense	**40,104**	–
Subtotal	**41,052**	–
Processing Costs		
Workforce employment	**3,280**	317
Consumables	**997**	598
Fuel, electricity, water and other services	**5,340**	2,159
Administration	**262**	85
Transportation	**1,265**	177
Non-income taxes, royalties and other governmental charges	**10**	–
Subtotal	**11,154**	3,336
Management Expenses		
Environmental protection and monitoring	**5,775**	3,195
Other administration cost	**9,757**	9,793
Product marketing and transportation	**809**	1,034
Non-income taxes, royalties and other governmental charges	**115**	203
Subtotal	**16,456**	14,225
Other Costs		
Depreciation and Amortisation	**15,764**	21,862
Total	**84,426**	39,423

CONTRACTS AND COMMITMENTS

The Group has signed 16 new contracts with a total amount of approximately RMB39.8 million during 2017. The details are summarised as below:

Yangzhuang Iron Mine

Type of contracts		Nature of contracts signed	Total amount
			RMB million
(i)	Equipment suppliers	2	3.2
(ii)	Technical service	8	0.5
(iii)	Backfilling	3	35.6
Total		13	39.3

Zhuge Shangyu Ilmenite Mine

Type of contracts		Nature of contracts signed	Total amount
			RMB million
(i)	Construction	1	0.4
Total		1	0.4

Yishui Shengrong

Type of contracts		Number of contracts signed	Total amount
			RMB million
(i)	Technical service	2	0.1
Total		2	0.1

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group recorded revenue from continuing operations of approximately RMB30.3 million as compared with approximately RMB57.3 million for the year ended 31 December 2016, representing a decrease of approximately 47.1%. For the year ended 31 December 2017, approximately 72.2% of total sales were derived from trading of coarse iron powder, while the remaining approximately 27.8% of the Group's total sales consisted of the sales of iron concentrates and titanium concentrates produced by the Group's processing plants. The Group mainly sold iron concentrates and titanium concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron and titanium concentrates, the Group sold coarse iron powder to other customers engaged in trading and manufacturing of iron-related products in the PRC.

PRICES OF THE GROUP'S PRODUCTS

Iron Concentrates

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

The Group's average unit selling price of 65% iron concentrates for the year ended 31 December 2017 was approximately RMB613.2 per tonne, representing an increase of approximately 35.8% as compared with the average unit selling price of approximately RMB451.5 per tonne for the year ended 31 December 2016.

Titanium Concentrates

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

The Group's average unit selling price of 46% ilmenite concentrates for the year ended 31 December 2017 was approximately RMB1,636.2 per tonne representing an increase of approximately 164.3% as compared with the average unit selling price of approximately RMB619.1 per tonne for the year ended 31 December 2016.

Management Discussion and Analysis

Revenue

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

	Year ended 31 December 2017 *RMB'000*		Year ended 31 December 2016 *RMB'000*	
Revenue				
Sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**8,188**	**27.0%**	3,591	6.2%
	8,188	**27.0%**	3,591	6.2%
Sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**251**	**0.8%**	6,180	10.6%
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	–	–	601	1.0%
	251	**0.8%**	6,781	11.6%
Sales from trading activities				
– from coarse iron powder	**21,867**	**72.2%**	44,386	76.2%
Income from Ever Grand	–	–	3,122	5.4%
Others	–	–	368	0.6%
	30,306	**100.0%**	58,248	100.0%
Revenue is attributable to:				
– Continuing operations	**30,306**	**100.0%**	57,278	98.3%
– Discontinued operations	–	–	970	1.7%
	30,306	**100.0%**	58,248	100.0%

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

	Year ended 31 December 2017 (Kt)	Year ended 31 December 2016 (Kt)
Sales volume of iron concentrates produced by the Group		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**13.4**	8.0
	13.4	8.0
Sales volume of titanium concentrates produced by the Group		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**0.2**	9.9
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	–	1.0
	0.2	10.9
Sales volume of trading activities		
– from coarse iron powder	**46.7**	114.9
	60.3	133.8

Management Discussion and Analysis

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

	Year ended 31 December 2017 *(Kt)*	*(approximately)*	Year ended 31 December 2016 *(Kt)*	*(approximately)*
Iron concentrates produced by the Group				
Amount of iron concentrates produced from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**35.5**	**93.2%**	11.4	100.0%
Amount of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**2.6**	**6.8%**	–	–
	38.1	**100.0%**	11.4	100.0%
Titanium concentrates produced by the Group				
Amount of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**3.3**	**100.0%**	–	–
	3.3	**100.0%**	11.4	100.0%

During 2017, the price of the iron concentrates is gradually increased due to the recovery of steel market, the Group has increased the production of iron concentrates. For the year ended 31 December 2017, revenue is mainly derived from sales of coarse iron powder to the Group's trading customers. Revenue is also derived from sales of iron concentrates and titanium concentrates produced by the Group.

The Group's revenue from continuing operations decreased by approximately RMB27.0 million, or approximately 47.1%, to approximately RMB30.3 million for the year ended 31 December 2017, as compared with approximately RMB57.3 million for the year ended 31 December 2016. The decrease in revenue was primarily due to (1) the decrease in turnover by approximately RMB22.5 million from trading of coarse iron powder; (2) the decrease in sales of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine by approximately RMB5.9 million for the year ended 31 December 2017; which was offset by the increase in sales of iron concentrates produced from Yangzhuang Iron Mine by approximately RMB4.6 million for the year ended 31 December 2017.

Although the iron and steel market is gradually rebounced in 2017, the customers have not reacted to the market immediately for the year ended 31 December 2017. So, the demand in coarse iron powder is still not reached the normal level. The total sales generated from trading activities significantly decreased by approximately 50.7%, which was mainly due to the decrease of trading turnover of coarse iron powder from approximately RMB44.4 million for the year ended 31 December 2016 to approximately RMB21.9 million for the year ended 31 December 2017.

In order to improve the downward pressure on the sluggish economy, China government has stabilised the economic growth in many aspects. The government has introduced some large scale infrastructure construction, and also promoted a steady increase in overall steel market demand, however, the prices of iron concentrate still did not meet the management's expectations. The management still held a cautious attitude, it decided to protect its own mine resources. Therefore, the overall sales volume this year was still relatively small.

Cost of Sales

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

	Year ended 31 December 2017 *RMB'000*		Year ended 31 December 2016 *RMB'000*	
Cost of Sales				
Cost of sales of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**45,987**	**67.6%**	3,386	6.0%
	45,987	**67.6%**	3,386	6.0%
Cost of sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**156**	**0.3%**	6,823	12.2%
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	–	–	737	1.3%
	156	**0.3%**	7,560	13.5%
Cost of sales of trading activities				
– from coarse iron powder	**21,861**	**32.1%**	44,870	79.8%
Costs from Ever Grand	–	–	103	0.2%
Others	–	–	288	0.5%
	68,004	**100%**	56,207	100%
Cost of sales is attributable to:				
– Continuing operations	**68,004**	**100%**	55,182	98.2%
– Discontinued operations	–	–	1,025	1.8%
	68,004	**100%**	56,207	100%

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

Total cost of sales increased by approximately RMB11.8 million, or approximately 21.0%, to approximately RMB68.0 million for the year ended 31 December 2017, as compared with approximately 56.2 million for the year ended 31 December 2016. Such increase was mainly due to increased cost of sales from filling expenses of approximately RMB38.9 million in the mined-out areas of Yangzhuang Iron Mine for the year, which was offset by the decreased cost of sales of approximately RMB23.0 million resulting from a reduced sales volume of trading coarse powder for the year.

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

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

	Year ended 31 December 2017		Year ended 31 December 2016	
	RMB'000		*RMB'000*	
Gross profit/(loss)				
Gross (loss)/profit of iron concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**(37,799)**	**100.3%**	205	10.0%
	(37,799)	**100.3%**	205	10.0%
Gross profit/(loss) of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**95**	**(0.3)%**	(643)	(31.5%)
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	**–**	**–**	(136)	(6.6%)
	95	**(0.3)%**	(779)	(38.1%)
Gross profit/(loss) of trading activities				
– from coarse iron powder	**6**	**–**	(484)	(23.7%)
Gross profit from Ever Grand	**–**	**–**	3,019	147.9%
Others	**–**	**–**	80	3.9%
	(37,698)	**100.0%**	2,041	100.0%
Gross (loss)/profit is attributable to:				
– Continuing operations	**(37,698)**	**100.0%**	2,096	102.7%
– Discontinued operations	**–**	**–**	(55)	(2.7%)
	(37,698)	**100.0%**	2,041	100.0%

	Year ended 31 December 2017	Year ended 31 December 2016
Gross profit/(loss) margin		
Gross (loss)/profit margin of iron concentrates		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**(461.6)%**	5.7%
Gross profit/(loss) margin of titanium concentrates		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**37.8%**	(10.4%)
– from ilmenite ore of Luxing Titanium Mine (46% titanium concentrates)	**–**	(22.6%)
Gross profit/(loss) margin of trading activities of coarse iron powder	**0.03%**	(1.1%)
Gross profit margin from Ever Grand	**–**	96.7%
Others	**–**	21.7%
Overall gross (loss)/profit margin	**(124.4)%**	3.5%

Gross profit decreased by approximately RMB39.7 million from the gross profit of approximately RMB2 million for the year ended 31 December 2016 to the gross loss of approximately RMB37.7 million for the year ended 31 December 2017. The main reasons for the decrease were (i) the decrease in gross profit of iron concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately RMB38.0 million from the gross profit of approximately RMB0.2 million for the year ended 31 December 2016 to the gross loss of approximately RMB37.8 million for the year ended 31 December 2017, mainly due to filling expenses of approximately RMB38.9 million in the mined-out areas of Yangzhuang Iron Mine for the year which resulted in an increase in cost of sales; (ii) the decrease of gross profit from finance lease in Tianjin Ever Grand Financial Leasing of approximately RMB3.0 million, which was offset by the increase in gross profit of titanium concentrates produced from the ilmenite ore of Zhuge Shangyu by approximately RMB0.7 million from the gross loss of approximately RMB0.6 million for the year ended 31 December 2016 to the gross profit of approximately RMB0.1 million for the year ended 31 December 2017.

Overall gross profit margin decreased from gross profit margin of approximately 3.5% for the year ended 31 December 2016 to gross loss margin of approximately 124.4% for the year ended 31 December 2017. During the year, excluding the effect of the increase in cost of sales due to filling expenses of approximately RMB38.9 million in the mined-out areas of Yangzhuang Iron Mine, the gross profit of 65% iron concentrates produced from the iron ore of Yangzhuang Iron Mine was approximately 13.5%, with an overall gross profit margin of approximately 4.0%.

Management Discussion and Analysis

Other gains/(losses), net

The Group's other gains were approximately RMB0.04 million for the year ended 31 December 2017 as compared with other gains of approximately RMB1.7 million for the year ended 31 December 2016, which was mainly due to the decrease in government subsidy in 2017.

Finance expenses, net (including discontinued operations)

Net finance expenses mainly represented interest expense on bank loans, bonds, and discount of bank acceptance notes of the Group, offset by interest income on bank deposits. Finance expenses decreased from approximately RMB24.5 million for the year ended 31 December 2016 to approximately RMB11.7 million for the year ended 31 December 2017.

Total comprehensive loss

The total comprehensive loss of the Group was approximately RMB140.4 million for the year ended 31 December 2017, representing an increase of approximately RMB23.4 million or approximately 20% as compared to that of approximately RMB117.0 million for the year ended 31 December 2016.

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2017 is HK$9,180,843.84 divided into 4,590,421,920 shares with par value of HK$0.002 each.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings divided by the aggregate amount of total equity and total borrowings) as at 31 December 2017 was approximately 35.1% (as at 31 December 2016: approximately 28.5%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2017 was approximately 1.9 times (as at 31 December 2016: approximately 2.5 times).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the total amount of the borrowings of the Group was approximately RMB207.2 million (as at 31 December 2016: approximately RMB211.4 million). The Group settled borrowings in the amount of approximately RMB100 million for the year ended 31 December 2017. The Group's cash and bank balances amounted to approximately RMB123.6 million as at 31 December 2017 (as at 31 December 2016: approximately RMB120.4 million).

2018 DEVELOPMENT AND FUTURE PLANS

By closely following market demands and trend changes, the Group will maintain its competitive edge in the sector of its traditional businesses, including mining, production, sales of and other services for iron and titanium ores and concentrates and other protective mining resources. At the same time, the Group will continue to invest in the expansion of the titanium industrial chain and substantially promote its new energy business. The Group will make greater efforts towards the following plans in 2018 and further.

I. Utilising the brand new processing technique acquired in 2017 and achieving mass production while maintaining its competitive edge in the sector of its principal businesses

The Group will continue to maintain its competitive edge in mining, production and sales of protective mining resources, while providing after sales services to establish close relationships with upstream and downstream businesses within the industrial value chain of the sector. In particular, the Group will utilize the intellectual proprietary rights of the brand new processing technique acquired in 2017 and strengthen its efforts towards achieving mass production. The Group will aim to reach a mass production scale of 1.20 Mt or above and strive to bring economic benefits for the Group by leveraging on this technique. The Group will continue to make greater efforts in the planning and implementation of a comprehensive industrial value chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Based on internal research and development of production, the Group will continue to enhance research and development cooperation with the Chinese Academy of Sciences and technology transfer cooperation with the Russian Academy of Sciences with an aim to achieve significant technical breakthroughs. In response to market demands, the Group will make timely investments in technical transformation and strive to transform the above-mentioned technical advantages into productivity, with an aim to improve the profitability of the Company.

II. Actively expanding the clean energy business of solar thermal power

By applying the world advanced solar power generation technology, the Group will systematically rebuild a set of advanced solar thermal power generation system with the application of globally leading original innovations at every key point of such system (including research and development, production and manufacturing, and technological consultancy). The Group will aim to complete construction of the pilot project in 2018, which is expected to bring significant economic returns for the Group in 2019 and beyond.

The wind power project will be ready to generate income through cooperation or other means in the near future.

III. Seizing opportunities arising from the increasing market demand for lithium carbonate, while making preparations to sell lithium powder products by importing and processing spodumene with existing production lines

With the rapid development of artificial intelligence and battery powered vehicles, lithium carbonate products have been in keen market demand. For the sake of long term development in the long run, the Group has promptly recruited leading industry engineers and technicians and completed redesigning outmoded production lines in the shortest time possible to process and manufacture spodumene, thereby achieving industrial mass production of spodumene products in the original production line. At the same time, the Company has entered into a long-term agreement with an Australian mine corporation in respect of annual import of 0.4 Mt spodumene. It is expected that approximately 0.4 Mt of spodumene will be processed and manufactured in 2018, and approximately 0.08 Mt of lithium powder with a grade of 5.5% will be manufactured. The development of this business will generate long-term economic benefits for the Group.

IV. Capitalising on the platform as a listed group and taking proactive measures for various projects in the capital market

Capitalising on the financing platform as a listed group, the Group will take proactive and adequate measures in respect of shareholders communication and investor relations, while continuing to strengthen its financing efforts, expand its shareholder base and enhance liquidity of its shares. Financing will also be provided for key construction projects, merger and acquisition projects, or expansion of the titanium industry value chain.

In conclusion, the Group will realize the new profitability potential out of its traditional businesses, with spodumene as one of the main profit driver in the long term, achieve significant breakthroughs in the new energy business and make preparations for commercial production. The Group will also strengthen its financing efforts through the capital market in order to help its various businesses build a solid basis for future performances. This will also make new contributions to the development of the real economy. The Group will actively seek new sources of economic growth, with a view to rewarding our investors with better returns.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. In the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in the CG Code throughout the year ended 31 December 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year ended 31 December 2017.

BOARD OF DIRECTORS

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

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

Executive Directors

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

Non-executive Director

Ms. Chau Ching

Independent non-executive Directors

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

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 75 to 79 under the section headed "Biographical Details of Directors and Senior Management".

Board Meetings

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

During the year ended 31 December 2017, the Board held 4 meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were also given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	Number of attendance
Mr. Li Yunde	4/4
Mr. Geng Guohua	4/4
Mr. Lang Weiguo	4/4
Ms. Chau Ching	4/4
Mr. Li Xiaoyang	4/4
Mr. Lin Chu Chang	3/4
Mr. Zhang Jingsheng	4/4

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

General Meetings

During the year ended 31 December 2017, one general meeting was held, being the annual general meeting of the Company held on 9 June 2017 (the "2017 AGM").

The attendance record of the Directors at the 2017 AGM are as follows:

Name of Director	Number of attendance
Mr. Li Yunde	1/1
Mr. Geng Guohua	1/1
Mr. Lang Weiguo	1/1
Ms. Chau Ching	1/1
Mr. Li Xiaoyang	1/1
Mr. Lin Chu Chang	1/1
Mr. Zhang Jingsheng	1/1

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. Mr. Li, the Chairman of the Company and the chairman of the nomination committee of the Company (the "Nomination Committee") and Mr. Lin Chu Chang, the chairman of the audit committee of the Company (the "Audit Committee") and the remuneration committee of the Company (the "Remuneration Committee") attended the 2017 AGM to answer questions and collect views of shareholders.

Directors' Training

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

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in training or reading materials relating to the Listing Rules and corporate governance matters or attending seminars relating to their role as a director of listed issuer. Each of the Directors has provided a record of training they received for the year ended 31 December 2017 to the Company.

CHAIRMAN AND CHIEF EXECUTIVE

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

All independent non-executive Directors have been appointed for a term of two years commencing from 27 April 2016.

NOMINATION COMMITTEE

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

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

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

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

During the year ended 31 December 2017, the Nomination Committee held one meeting. The Nomination Committee reviewed the Board composition, assessed the independence of the independent non-executive Directors and made recommendation on the re-election of Directors.

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

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

REMUNERATION COMMITTEE

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

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

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

During the year ended 31 December 2017, the Remuneration Committee held one meeting. The Remuneration Committee reviewed the remuneration of Directors and the senior management.

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

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

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

The emolument payable to the Directors and senior management will depend on their respective contractual terms under employment contracts, if any, and will be fixed by the Board after taking into account the recommendation from the Remuneration Committee, the performance of the Group and the prevailing marketing conditions. Details of the remuneration of the Directors and senior management for the year ended 31 December 2017 are set out in note 39 to the consolidated financial statements.

AUDIT COMMITTEE

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

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

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

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

During the year ended 31 December 2017, the Audit Committee held two meetings.

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

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

During the year ended 31 December 2017, the Audit Committee reviewed, among others, the 2016 annual results and the 2017 interim results of the Group. The Audit Committee was in the opinion that the preparation of such consolidated financial statements complied with the applicable accounting standards and the Listing Rules.

CORPORATE GOVERNANCE FUNCTIONS

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

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

During the year ended 31 December 2017, the Board has reviewed the Company's policies and practices on corporate governance, the training and continuous professional development of the Directors and senior management as well as the Company's compliance with the CG Code.

AUDITORS' REMUNERATION

For the year ended 31 December 2017, the remuneration paid/payable to the Company's auditor, PricewaterhouseCoopers, was as follows:

	RMB'000
Services rendered	
Audit services	2,748
Non-audit services	–
	2,748

COMPANY SECRETARY

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

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

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

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the year ended 31 December 2017.

SHAREHOLDERS' RIGHTS

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

Shareholders to convene an extraordinary general meeting

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

Putting enquiries by shareholders to the Board

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

Procedures for putting forward proposals by shareholders at shareholders' meetings

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

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

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

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2018 AGM will be voted by poll.

INVESTOR RELATIONS

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

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

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange's website and the Company's website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

Constitutional Documents

There had been no changes in the constitutional documents of the Company during the year ended 31 December 2017.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2017, the Board has selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with Principle C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- Evaluation: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2017, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- Risk Assessment: A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2017, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("IA") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via Audit Committee.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its reviews and the reviews made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

SENIOR MANAGEMENT'S REMUNERATION

Senior management's remuneration payment of the Group in the year ended 31 December 2017 falls within the following bands:

	Number of Individuals
HKD500,000 or below	2
HKD500,001 to HKD1,000,000	3

The Directors of the Company are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

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

Environmental Policies and Performance

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

The Company has presented its environmental, social and governance report. Further information relating to the environmental policies and performance of the Group during the year 2017 is set out in "Environmental, Social and Governance Report 2017".

Compliance with Laws and Regulations

During the year ended 31 December 2017, the Group has complied, to the best knowledge of the Directors, with the relevant laws and regulations that have a significant impact on the Group.

Relationship with Stakeholders

The success of the Group depends on the support from key stakeholders. Further details of the relationships of the Group with stake holders are set out in "Environmental, Social and Governance Report 2017".

Report of the Directors

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2017 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 85 to 147.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders of the Company to attend and vote at the annual general meeting of the Company to be held on Friday, 25 May 2018 ("2018 AGM"), the register of members of the Company will be closed from Friday, 18 May 2018 to Friday, 25 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2018 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 17 May 2018.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2017 are set out in note 17 to the consolidated financial statements.

SHARES ISSUED

The Group has not issued any Shares during the year ended 31 December 2017.

DEBENTURES ISSUED

The Group has not issued any debenture during the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, the Company repurchased 25,958,000 shares of HK$0.002 each in the capital of the Company at prices ranged from HK$0.091 to HK$0.136 per share on the Stock Exchange.

Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share		Aggregate purchase consideration (excluding expenses)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
August 2017	4,646,000	0.096	0.091	437,222
September 2017	10,264,000	0.133	0.096	1,258,632
October 2017	11,048,000	0.136	0.127	1,452,844
	25,958,000			3,148,698

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB248,347,000 (2016: RMB510,361,000).

DIRECTORS

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

Executive Directors

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

Non-executive Director

Ms. Chau Ching

Independent non-executive Directors

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

In accordance with Article 108 of the Articles, Mr. Geng Guohua, Ms. Chau Ching and Mr. Zhang Jingsheng shall retire from office at the 2018 AGM by rotation and, being eligible, offer themselves for re-election.

INDEPENDENCE CONFIRMATION

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

SHARE OPTION SCHEME

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

The principal terms of the Scheme are summarised as follows:

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

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

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

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

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2017 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' SERVICE CONTRACTS

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

Each of the independent non-executive Directors entered into a service agreement with the Company on 30 March 2016 for a fixed term of two years commencing from 27 April 2016.

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

None of the Directors proposed for re-election at the 2018 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as those disclosed in the section headed "Connected Transactions", none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2017, nor any contract of significance has been entered into during the year ended 31 December 2017 between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries.

CHARITABLE DONATIONS

During the year, the Group did not have charitable donation (2016: nil).

EQUITY-LINKED AGREEMENTS

Save for the Scheme as set out above in this report, no other equity-linked agreement was entered into by the Group during the year or subsisting at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

COMPETING INTERESTS

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

The Board has established a review committee (the "Committee") comprising all the independent non-executive Directors which was delegated with the authority to review on an annual basis of the non-competition undertaking given by Mr. Li Yunde ("Mr. Li") and Hongfa Holdings Limited (collectively, the "Covenantors") in the deeds of non-competition (the "Deeds of Non-competition") entered into by, among others, the Covenantors dated 9 April 2012. An extract of the material terms of the Deeds of Non-competition had been set out in the Prospectus. The Covenantors confirmed that (a) they have provided all information necessary for the enforcement of the Deeds of Non-competition as requested by the Committee from time to time; and (b) from the effective date of the Deeds of Non-competition, i.e. 9 April 2012 and up to 31 December 2017, they had complied with the Deeds of Non-competition. The Committee also confirmed that they were not aware of any non-compliance with the Deeds of Non-competition by the Covenantors during the same period.

RETIREMENT SCHEMES

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

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2017, the interest or short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or pursuant to the Model Code, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, are set out below:

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

Name of Director	Capacity/ Nature of interest	Long position/ short position	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Li Yunde ("Mr. Li")	Interest of controlled corporation	Long position	2,048,138,660 *(Note 1)*	44.62%
Ms. Chau Ching	Beneficial owner	Long position	468,000	0.01%
Mr. Lang Weiguo ("Mr. Lang")	Interest of controlled corporation	Long position	18,700,000 *(Note 2)*	0.41%
Mr. Geng Guohua	Beneficial owner	Long position	1,484,000	0.03%

Notes:

1. Mr. Li beneficially holds the entire issued share capital of Hongfa Holdings Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability, which in turn beneficially holds 2,048,138,660 shares of the Company (the "Share(s)"). For the purposes of the SFO, Mr. Li is deemed or taken to be interested in all the Shares held by Hongfa Holdings Limited.

2. Mr. Lang beneficially holds the entire issued share capital of Novi Holdings Limited and All Five Capital Ltd., both of which were incorporated in the BVI with limited liability, which in turn beneficially hold 650,000 Shares and 18,050,000 Shares, respectively. For the purposes of the SFO, Mr. Lang is deemed or taken to be interested in all the Shares held by Novi Holdings Limited and All Five Capital Ltd..

Save as disclosed above, as at 31 December 2017, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 31 December 2017, so far as is known to any Director, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholder	Nature of Interest	Long Position/ Short Position	Number of Shares held	Approximate percentage of interest
Hongfa Holdings Limited	Beneficial owner	Long position	2,048,138,660	44.62%
Ms. Zhang Limei	Interest of spouse	Long position	2,048,138,660 *(Note 1)*	44.62%
X. Mining Resources Group Limited	Beneficial owner	Long position	326,344,000 *(Note 2)*	7.11%
Mr. Wu Pun Yan ("Mr. Wu")	Interest of controlled corporation	Long position	326,344,000 *(Note 2)*	7.11%

Notes:

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

2. Mr. Wu beneficially holds the entire issued share capital of X. Mining Resources Group Limited which in turn beneficially holds 326,344,000 Shares. For the purposes of SFO, Mr. Wu is deemed or taken to be interested in all the Shares held by X. Mining Resources Limited.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2017.

CONNECTED TRANSACTIONS

Trademark License Agreement

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

Key Management Compensation

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, approximately 100% of the Group's turnover and approximately 96% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively. Approximately 37% of the Group's turnover and approximately 64% of the Group's purchases were attributable to the Group's largest customer and the Group's largest supplier, respectively. To the best knowledge of the Directors, none of the Directors or chief executive of the Company or any shareholder owning more than 5% of the Company's share capital or their respective associates, had any interest in the Group's five largest customers or five largest suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2017.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2012 with written terms of reference in compliance with the CG Code, which currently comprises three independent non-executive Directors, namely Mr. Lin Chu Chang (as chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The Audit Committee is mainly responsible for the relationship with the Company's auditor, review of the Company's financial information and monitoring of the Company's financial reporting system and risk management and internal control systems. The Audit Committee has reviewed this annual report and the audited annual financial statements for the year ended 31 December 2017 before such documents were tabled for the Board's review and approval, and is of the opinion that such documents complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 55 to 64 of this annual report.

AUDITORS

PricewaterhouseCoopers has acted as auditor of the Company for the year ended 31 December 2017. The Company has not changed its external auditor during the past three years. A resolution will be submitted to the 2018 AGM to re-appoint PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board
Add New Energy Investment Holdings Group Limited

Li Yunde
Chairman

Hong Kong, 28 March 2018

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Yunde ("Mr. Li")

Mr. Li, aged 51, was appointed as a Director on 8 February 2011 and redesignated as an executive Director of the Company on 9 April 2012. Mr. Li is also the Chairman of the Board, and a director of all of the subsidiaries of the Group, except Fortuneshine Investment Ltd. and Shine Mining Investment Limited. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. He is primarily responsible for the Group's overall strategic planning, business development and management. Mr. Li has over 20 years of experience in iron ore exploration, mining and processing in Shandong Province, the PRC. Mr. Li graduated from Shandong University (山東大學) in July 2002, majoring in Marketing (市場行銷). He has also completed the China Private Enterprise Entrepreneur Training (中國民營企業總裁研修) held by Tsinghua University (清華大學) in March 2005. He has been the Chairman of the Board of the Association of Industry and Commerce of Linyi City, Yishui County, Shandong Province (沂水縣工商業聯合會). Mr. Li was awarded the "Outstanding Member of the National People's Congress of Linyi City (臨沂市優秀人大代表)" in February 2007 by the Standing Committee of the National People's Congress of Linyi City and the "Model Worker of Shandong Province (山東省勞動模範)" in April 2008 by the People's Government of Shandong Province. Since November 2012, Mr. Li has been the Vice-President of China Mining Association (中國礦業聯合會) Australian Branch, and was elected as the Representative of the National People's Congress of Shandong Province in January 2013. He has been the Standing Director of China Federation of Industry & Commerce (全國工商業聯合會) Metallurgy Branch. He has also been the Standing Director of the Chinese Enterprises Investment Association since 2013 and also the Vice-Chairman of the board of directors of the Listed Companies Council of the Hong Kong Chinese Enterprises Association since November 2015.

Mr. Geng Guohua ("Mr. Geng")

Mr. Geng, aged 48, was appointed as an executive Director and the Chief Operating Officer of the Company on 9 April 2012. He was appointed as the Chief Executive Officer of the Company on 14 May 2013 and resigned as the Chief Operating Officer of the Company with effect from 2 May 2014. Mr. Geng was the chief operating officer of Shandong Ishine Mining Industry Co., Ltd. (山東興盛礦業有限責任公司) ("Shandong Ishine") from 2007 to 2 May 2014, an indirect wholly-owned subsidiary of the Company, and has been a director of Shandong Ishine since November 2010 during which he has acquired relevant experience in the operation of iron and ilmenite mines and participated in trainings relating to mining, production, management and geology organised by Tsinghua University and University of Toronto. He is primarily responsible for the Group's overall operation. Mr. Geng began his career in 1989 and worked at different managerial levels in Shandong Liaherd Chemical Industry Co., Ltd. (山東聯合化工股有限公司). From 1999 to 2003, he worked as a management person of Shandong Fuyuan Leather Group Ltd. (山東富源皮革集團有限公司) and was responsible for its technical services, production and sales management. He had been the deputy general manager in charge of production of Beijing Huiyuan Juice Group Limited (北京匯源果汁集團有限公司) (currently known as China Huiyuan Juice Group Limited (中國匯源果汁集團有限公司), a company listed on the Stock Exchange (stock code: 1886)) from 2003 to 2007 and was responsible for its general management. Mr. Geng graduated at Correspondence Institute of the Party School of Central Committee of Communist Party of China (中共中央黨校函授學院) majoring in Law in December 2001. Mr. Geng was accredited as a Human Resources Developments and Project Technician (Enterprise Human Resource Management) (人力資源開發管理工程技術人員(企業人力資源管理人員)) in October 2003 by the Occupational Skill Testing Authority (職業技能鑒定(指導)中心) of Shandong Province, the PRC. He has been a director of the Chinese Enterprises Investment Association since 2013 and the deputy president of the Listed Companies Council of the Hong Kong Chinese Enterprises Association since December 2015. Mr. Geng has been an enterprise mentor of MBA in Jiangnan University since December 2017.

Biographical Details of Directors and Senior Management

Mr. Lang Weiguo ("Mr. Lang")

Mr. Lang, aged 59, was appointed as an executive Director on 9 April 2012. He joined the Group in 2010 and has been the vice chairman of the board of directors of Shandong Ishine since November 2010. He is primarily responsible for the Group's business development and investment. Mr. Lang is also a director of Fortuneshine Investment Ltd. and Shine Mining Investment Limited, both of which are the subsidiaries of the Group. He received a bachelor degree in Engineering from Agriculture University of Heilongjiang (黑龍江八一農墾大學) in July 1982 and further obtained his master's and doctorate degrees in Engineering from University of Saskatchewan in Canada in May 1989 and May 1993, respectively. From 1999 to 2004, he had been the president and a director of Q-Net Technologies Co., Ltd., a company which was quoted on the Over-The-Counter Bulletin Board Trading System ("OTCBB") (symbol: QNTI) in the United States of America, responsible for its general management and business development. From 2004 to 2005, he became the chairman of the board of directors of Savoy Resources Co., Ltd., a company quoted on the National Association of Securities Dealers Over-The-Counter Bulletin Board (symbol: SVYR) in the United States of America, responsible for its business development. From 2003 to 2008, he acted as a director of Vendtek Systems Inc., a company listed on Toronto Stock Exchange Venture (symbol: VSI) in Canada, responsible for its business development. From 2007 to 2011, Mr. Lang had also been a director of Zhongrun (Tianjin) Mining Development Co., Ltd (中潤(天津)礦業開發有限公司), a PRC company principally engaged in the development and exploration of metal mines and resources, and relevant consultancy services, responsible for its business development. Since June 2015, Mr. Lang has become the Director, CEO & President of Ultra Lithium Inc., a company listed on Toronto Stock Exchange Venture (Symbol: ULI) in Canada.

NON-EXECUTIVE DIRECTOR

Ms. Chau Ching ("Ms. Chau")

Ms. Chau, aged 48, graduated from Hangzhou University (now known as Zhejiang University) with bachelor's degree in Tourism Economic in 1991. Ms. Chau has over 20 years in the business of tourism, import and export of textile products and foodstuff, international trading of iron ore and steel products, bulk carrier chartering business, property investment and management as well as resources investment holding business. Since 1998, Ms. Chau has joined Chang Yuan Resources Ltd ("Chang Yuan"), a company incorporated in Hong Kong and specialized in the trading business of iron ore and steel products between Middles East, Australia and South East Asia and China. Ms. Chau has been responsible for overseeing daily operation including business, administrative and accounting affairs. She has now been acted as general manager and director of Chang Yuan. Ms. Chau has extensive experience in trading of iron ore business and bulk carrier chartering business. In the period of her service for Chang Yuan, Ms. Chau has also participated in and played an important role in a series of acquisition and reverse acquisition, merger and capital financing activities conducted by Chang Yuan and its related companies. From 2007 to 2012, Ms. Chau has been acted as assistant to chairman and chief executive officer, and joint company secretary of Rocklands Richfield Limited ("RCI"), a company listed in Australia (ASX code "RCI") with the business of exploration and development of its three coal tenements in Bowen Basin of Queensland, Australia and assisting the chairman and chief executive officer of RCI and RCI group with their respective day to day operation and management including preparation of annual report, and has also been acted as the director of RCI's subsidiaries. Ms. Chau participated in and played an important role in the activity of RCI's being acquired by Shandong Energy Group in 2012.

Ms. Chau has now been acting as director and general manager for several related companies of Chang Yuan and is responsible for management of daily operation of agriculture and forestry resources, property investment and management, tourism and retirement resort in China, Hong Kong, Australia and Papua New Guinea.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Xiaoyang ("Mr. Li XY")

Mr. Li XY, aged 62 was appointed as an independent non-executive Director on 9 April 2012. He is a member of each of the Audit Committee and the Nomination Committee. Mr. Li XY graduated from Central South Institute of Mining and Metallurgy (中南礦冶學院) (currently known as Central South University (中南大學)) in July 1978, majoring in Metallurgical Analytical Chemistry (冶金分析化學). He also obtained a master's degree of Regional Economics Management (區域經濟管理) granted by Beijing Normal University (北京師範大學) in December 2002. From 1980 to 2000, he worked in Kunming Institute of Metallurgy (昆明冶金研究院) and was appointed as an engineer, and a senior engineer in 1986 and 1996, respectively, focusing on the research and technical development of metallurgy.

Mr. Lin Chu Chang ("Mr. Lin")

Mr. Lin, aged 48, was appointed as an independent non-executive Director on 9 April 2012. He is the chairman of the Audit Committee and the Remuneration Committee. He graduated from The University of Hong Kong (香港大學) in November 1991 with a Bachelor of Science degree. Mr. Lin has previously held senior positions with various companies, including companies listed on the Stock Exchange, and has gained extensive experience in reviewing and analysing financial statements of public and private companies. Between 1994 and 1996, he was a China business analyst of ChinaVest Limited, a venture capital firm, responsible for conducting research and analysis for the company. From 1997 to 2001, Mr. Lin was a vice president of the research department of Merrill Lynch (Asia-Pacific Region), responsible for analyzing various listed companies. He was the chief financial officer of China Resources Land Limited, a company listed on the Stock Exchange (stock code: 01109), from 2002 to 2006 and Longfor Properties Co. Ltd., a company listed on the Stock Exchange (stock code: 00960), from 2006 to 2010, responsible for treasury and financial reporting to the Board of the companies. Mr. Lin was an executive director of Longfor Properties Co. Ltd. between 2008 and 2010, responsible for its financial management and investor relationships. He was also an independent non-executive director of Shenzhen Expressway Company Limited, a company listed on the Stock Exchange (stock code: 00548) from March 2012 to December 2017.

Mr. Zhang Jingsheng ("Mr. Zhang")

Mr. Zhang, aged 72, was appointed as an independent non-executive Director on 9 April 2012. He is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. He has been an independent director of Shandong Ishine since 2008. He worked as an engineer, manager, deputy dean and dean of Changsha Research Institute of Mining and Metallurgy (長沙礦冶研究院) currently known as the Changsha Research Institute of Mining and Metallurgy Limited (長沙礦冶研究院有限公司) from 1981 to 2007, and was primarily responsible for human resources and financials. Mr. Zhang has been awarded various prizes in relation to ore dressing which include (among others):

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

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

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

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

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

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

SENIOR MANAGEMENT

Ms. Chan Wing Ki Michele, aged 36, was appointed as the Financial Controller of the Company on 9 April 2012 and was appointed as the Chief Financial Officer of the Company on 25 August 2016. Ms. Chan graduated from Macquarie University, Sydney, Australia with Bachelor of Commerce (Accounting). She also obtained a Postgraduate Diploma, majoring in Commerce, granted by the University of Sydney, Sydney, Australia in October 2006. Ms. Chan was admitted as a Certified Practising Accountant of the Certified Practising Accountants, Australia in December 2009.

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

Ms. Zhou Shifeng, aged 45, was appointed as the Financial Controller of the Company on 25 August 2016. She holds a college diploma and the title of accountant in China. From 1992 to 2010, Ms. Zhou served as the accountant in finance department, head of accounting department, deputy general manager and manager of finance department in Shandong Luyuan Wine Co., Ltd. She joined Shandong Ishine Mining Industry Co., Ltd., a wholly-owned subsidiary of the Company, in 2010, and served as deputy financial manager. In 2013, Ms. Zhou was appointed as the vice financial controller and the manager of finance department of the Company. At the same time, she also served as the secretary to the board of directors and the manager of investment development department of Shandong Ishine Mining Industry Co., Ltd. Ms. Zhou has been serving as the financial controller of Tianjin Ever Grand Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Company, since May 2015.

COMPANY SECRETARY

Ms. Chan Yuen Ying, Stella, aged 46, was appointed as the company secretary of the Company on 9 April 2012. Ms. Chan is a fellow member of the Institute of Chartered Secretaries and Administrators and a fellow member of the Hong Kong Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors. Ms. Chan has over 20 years' experience in handling listed company secretarial matters.

Independent Auditor's Report

To the Shareholders of Add New Energy Investment Holdings Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Add New Energy Investment Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 85 to 147, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Determination of the recoverable amounts of the long-term assets –property, plant and equipment and intangible assets relate to mining business (collectively referred to as "Mining Assets") Refer to note 6 and note 7 to the consolidated financial statements. As at 31 December 2017, the carrying amounts of the Mining Assets amounted to RMB256,862,000, representing 33% of total assets. Low iron concentrate and ilmenite concentrate prices may indicate that the carrying amounts of the Mining Assets as at 31 December 2017 might be impaired. Impairment exists when the carrying amount of an asset exceeds its recoverable amount. The Group has adopted the values in use model to determine the recoverable amounts of the Mining Assets, and allocated the calculated impairment among the mining rights and the property, plant and equipment based on their respective carrying amounts. The matter is considered to be a key audit matter because of the significance of the carrying amounts of the Mining Assets as at 31 December 2017, and significant estimations and assumptions to be applied by management when determining the recoverable amounts of the Mining Assets, such as future sales prices, discount rate, production volumes and production costs.	In addressing this matter, we have performed the following procedures: • We tested selected internal controls over the following: (i) Development of discounted cash flow models for the values in use calculations of the Mining Assets; (ii) Review and approval of values in use calculations and impairment provisions. • We evaluated key estimations and assumptions adopted by the Group in the values in use calculations for the Mining Assets, by comparing them to management approved budgets and actual operating results, and by benchmarking them to industry data. Our internal valuation expert was also involved in review of certain assumptions adopted by the Group. This mainly included: (i) Compared future sales prices adopted by the Group against a range of reputable published iron concentrate and ilmenite concentrate price forecasts; (ii) Estimated a range of discount rates independently, and found that the discount rate adopted by the Group was within the range;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
	(iii) Compared total production volumes against mining reserve estimation reports issued by experts engaged by the management and evaluated the competence, capability and objectivity of those experts engaged in estimating the mining reserves: (iv) Compared the production profile against future production plans approved by the management as well as against historical data; and (v) Compared future production costs against historical data. • We evaluated the sensitivity analysis prepared by the Group based on varying key assumptions in the values in use models, and assessed the potential impacts of a range of possible outcomes. • We assessed the methodology adopted in, and tested mathematical accuracy of, the relevant cash flow models used. Based on our work, we found the key assumptions adopted by the Group are supported by evidence gathered.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 judgment 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.

- 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.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 Hon Chong Heng.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2018

(If there is any inconsistency between the English and Chinese version of this independent auditor’s report, the English version shall prevail.)

Consolidated Balance Sheet

(Amounts expressed in thousands of RMB)

	Note	As at 31 December 2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**256,862**	302,137
Intangible assets	*7*	**–**	58,150
Investments accounted for using the equity method	*8*	**13,830**	–
Available-for-sale financial assets	*3.3*	**–**	1,665
Deferred income tax assets	*9*	**–**	15,044
Other non-current assets	*10*	**8,783**	7,370
		279,475	384,366
Current assets			
Inventories	*11*	**33,122**	32,275
Trade receivables	*12*	**26,151**	77,419
Notes receivables	*13*	**42,000**	7,000
Prepayments and other receivables	*14*	**24,745**	133,775
Cash and cash equivalents	*15*	**123,627**	120,354
Term deposits	*15*	**160,000**	100,000
Restricted bank deposits	*15*	**83,366**	28,308
		493,011	499,131
Total assets		**772,486**	883,497
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	*17*	**641,741**	644,393
Reserves	*18*	**(9,570)**	66,726
Accumulated losses	*19*	**(248,198)**	(185,209)
		383,973	525,910
Non-controlling interests		**–**	5,247
Total equity		**383,973**	531,157

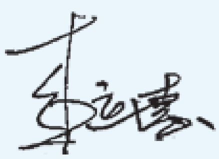
Consolidated Balance Sheet

(Amounts expressed in thousands of RMB)

	Note	As at 31 December 2017	2016
LIABILITIES			
Non-current liabilities			
Borrowings	*23*	**107,210**	111,412
Provisions for close down, restoration and environmental costs	*24*	**8,955**	26,992
Deferred income		**463**	501
Deferred income tax liabilities	*9*	**8,262**	17,433
		124,890	156,338
Current liabilities			
Borrowings	*23*	**100,000**	100,000
Trade payables	*20*	**17,353**	19,447
Notes payables	*21*	**100,000**	20,000
Accruals and other payables	*22*	**46,231**	55,354
Current portion of long-term liabilities		**39**	39
Current income tax liabilities		**–**	1,162
		263,623	196,002
Total liabilities		**388,513**	352,340
Total equity and liabilities		**772,486**	883,497

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 85 to 147 were approved by the Board of Directors on 28 March 2018 and were signed on its behalf.



Executive Director

Executive Director

Consolidated Statement of Comprehensive Income

(Amounts expressed in thousands of RMB)

	Note	Year ended 31 December 2017	2016
Continuing operations			
Revenue	*26*	**30,306**	57,278
Cost of sales	*27*	**(68,004)**	(55,182)
Gross (loss)/profit		**(37,698)**	2,096
Distribution expenses	*27*	**(62)**	(249)
Administrative expenses	*27*	**(40,612)**	(76,907)
Other income/(loss)	*29*	**66**	(332)
Other gains – net	*30*	**40**	1,716
Operating loss		**(78,266)**	(73,676)
Finance income	*31*	**3,837**	2,993
Finance expenses	*31*	**(11,217)**	(25,547)
Finance expenses – net		**(7,380)**	(22,554)
Loss before income tax		**(85,646)**	(96,230)
Income tax expense	*33*	**(365)**	(9,348)
Loss from continuing operations		**(86,011)**	(105,578)
Loss from discontinued operations	*16*	**(55,586)**	(12,477)
Loss for the year		**(141,597)**	(118,055)
Loss for the year attributable to:			
Owners of the Company		**(139,633)**	(117,240)
Non-controlling interests		**(1,964)**	(815)
		(141,597)	(118,055)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Change in value on available-for-sale financial assets		**559**	1,190
Currency translation differences		**594**	(90)
Total comprehensive loss for the year		**(140,444)**	(116,955)

Consolidated Statement of Comprehensive Income

(Amounts expressed in thousands of RMB)

		Year ended 31 December	
	Note	**2017**	2016
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(139,285)**	(116,907)
Non-controlling interests		**(1,159)**	(48)
		(140,444)	(116,955)
Total comprehensive loss for the year attributable to:			
Continuing operations		**(86,011)**	(105,245)
Discontinued operations		**(54,433)**	(11,710)
		(140,444)	(116,955)
Losses per share for loss from continuing operations attributable to owners of the Company (expressed in RMB per share)			
Basic losses per share	*34*	**(0.02)**	(0.03)
Diluted losses per share	*34*	**(0.02)**	(0.03)
Losses per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic losses per share	*34*	**(0.03)**	(0.03)
Diluted losses per share	*34*	**(0.03)**	(0.03)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

(Amounts expressed in thousands of RMB)

		Attributable to Owners of the Company					
	Note	Share capital and share premium *(Note 17)*	Reserves *(Note 18)*	Accumulated losses *(Note 19)*	Total	Non-controlling interests	Total equity
Balance at 31 December 2016		**644,393**	**66,726**	**(185,209)**	**525,910**	**5,247**	**531,157**
Comprehensive income							
Loss for the year		–	–	(139,633)	(139,633)	(1,964)	(141,597)
Other comprehensive income							
Available-for-sale financial assets		–	169	–	169	390	559
Currency translation differences		–	179	–	179	415	594
Total comprehensive loss for the year		**644,393**	**67,074**	**(324,842)**	**386,625**	**4,088**	**390,713**
Transactions with owners in their capacity as owners							
Utilisations	*18(c) (d)*	–	(37,116)	37,116	–	–	–
Repurchase of shares	*17(a)*	(2,652)	–	–	(2,652)	–	(2,652)
Disposals of subsidiaries	*19(a)*	–	(39,528)	39,528	–	(4,088)	(4,088)
		(2,652)	(76,644)	76,644	(2,652)	(4,088)	(6,740)
Balance at 31 December 2017		**641,741**	**(9,570)**	**(248,198)**	**383,973**	–	**383,973**

		Attributable to Owners of the Company					
	Note	Share capital and share premium *(Note 17)*	Reserves *(Note 18)*	Accumulated losses *(Note 19)*	Total	Non-controlling interests	Total equity
Balance at 31 December 2015		628,066	64,388	(68,152)	624,302	1,426	625,728
Comprehensive income							
Loss for the year		–	–	(117,240)	(117,240)	(815)	(118,055)
Other comprehensive income							
Available-for-sale financial assets		–	360	–	360	830	1,190
Currency translation differences		–	(27)	–	(27)	(63)	(90)
Total comprehensive loss for the year		628,066	64,721	(185,392)	507,395	1,378	508,773
Transactions with owners in their capacity as owners							
Utilisations		–	(183)	183	–	–	–
Repurchase of shares	*17(b)*	(4,969)	–	–	(4,969)	–	(4,969)
Proceeds from shares issued	*17(b)(c)*	21,296	–	–	21,296	–	21,296
Contribution from non-controlling shareholders		–	2,188	–	2,188	3,869	6,057
		16,327	2,005	183	18,515	3,869	22,384
Balance at 31 December 2016		644,393	66,726	(185,209)	525,910	5,247	531,157

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

(Amounts expressed in thousands of RMB)

		Year ended 31 December	
	Note	**2017**	2016
Cash flows from operating activities			
Cash generated from operations	*35(a)*	**13,309**	62,993
Interest paid		**(12,922)**	(15,603)
Interest received	*31*	**3,841**	4,317
Net cash generated from operating activities		**4,228**	51,707
Cash flows from investing activities			
Purchases of property, plant and equipment ("PPE") and intangible assets		**(4,516)**	(5,601)
Proceeds from disposal of PPE	*35*	**28**	244
Increase of term deposits	*15*	**(60,000)**	–
(Increase)/decrease of restricted bank deposits	*15*	**(55,058)**	16,692
Proceeds from disposal of subsidiaries	*16*	**18,647**	–
Advance construction funds from government		**2,002**	8,310
Other investing activities cash inflow	*35(d)*	**100,000**	–
Other investing activities cash outflow	*35(d)*	**(100,000)**	–
Net cash (used in)/generated from investing activities		**(98,897)**	19,645
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares	*17*	**–**	21,296
Proceeds from non-controlling shareholders' investment in subsidiaries		**–**	6,057
Proceeds from borrowings		**200,000**	100,000
Repayments of borrowings		**(100,000)**	(170,000)
Dividends paid to shareholders	*25*	**–**	(1,337)
Repurchase of shares	*17*	**(2,652)**	(4,969)
Net cash generated from/(used in) financing activities		**97,348**	(48,953)
Net increase in cash and cash equivalents		**2,679**	22,399
Cash and cash equivalents at beginning of year	*15*	**120,354**	98,090
Exchange losses on cash and cash equivalents		**594**	(135)
Cash and cash equivalents at end of year	*15*	**123,627**	120,354
Cash flows of discontinued operations	*16*		

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. GENERAL INFORMATION

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

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

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

These consolidated financial statements have been approved for issuance by the Board of Directors on 28 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets which are measured at fair value.

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to HKAS 12, and
- Disclosure initiative – amendments to HKAS 7.

The Group also elected to adopt the following amendment early:

- Annual Improvements to HKFRS Standards 2014-2016 Cycle.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods. The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 35(c).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) HKFRS 9, 'Financial instruments'

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The financial asset held by the Group is equity instrument currently classified as available-for-sale for which a fair value through other comprehensive income ("FVOCI") election is available under the HKFRS 9, and accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss ("FVPL") and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(d) New standards and interpretations not yet adopted *(Continued)*

(ii) HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018.

(iii) HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Associates

Associate is the entity over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in an associate are accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost.

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from the associate are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.8.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Separate financial statements

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

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

2.4 Segment reporting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the income statement within finance income or expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

(a) Mining rights

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

(b) Exploration rights

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

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

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units("CGUs")). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.The comparative, in the statement of comprehensive income have been restated to confirm current year's presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

(a) Classification

The Group's financial assets include loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'notes receivables', 'other receivables', 'cash and cash equivalents', 'term deposits' and 'restricted bank deposits' (Note 2.13 and 2.14).

(ii) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

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

Available-for-sale financial assets are subsequently carried at fair value. For available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 3.3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(a) Assets carried at amortised cost

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

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

Impairment testing of trade receivables is described in note 12.

(b) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2.12 Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 90 days and therefore are all classified as current.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.10 for further information about the Group's accounting for trade and other receivables and Note 2.11 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital

Ordinary shares are classified as equity (note 17).

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

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within one year of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

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

(b) Deferred income tax

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits

(a) Pension obligations

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

(b) Housing benefits

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

2.21 Provisions for close down, restoration and environmental costs

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

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

2.23 Lease

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 36 (b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.24 Dividend distribution

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

2.25 Government grants

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

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily with respect to HKD and USD.

As at 31 December 2017, if RMB had weakened/strengthened by 5% (2016: 5%) against HKD with all other variables held constant, loss before income tax for the year would have been RMB5,650,000 (2016: RMB5,616,000) higher/lower mainly as a result of foreign exchange losses/gains on translation of borrowings denominated in HKD.

As at 31 December 2017, if RMB had weakened/strengthened by 5% (2016: 5%) against USD with all other variables held constant, loss before income tax for the year would have been RMB836,000 (2016: RMB1,500,000) lower/higher mainly as a result of foreign exchange gains/losses on translation of cash and cash equivalents denominated in USD.

(ii) Fair value interest rate risk

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

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

(b) Credit risk

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

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

Sales to the Group's top five largest customers accounted for 100% of total revenue for the year ended 31 December 2017 (2016: 90%). Risk control assesses the credit quality of all the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements.

(Amounts expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

	Within 1 year	**1-2 years**	**2-5 years**	**Over 5 years**
As at 31 December 2017				
Borrowings	**113,267**	**8,958**	**30,116**	**126,222**
Trade payables	**17,353**	–	–	–
Notes payables	**100,000**	–	–	–
Other payables	**20,867**	–	–	–
	251,487	**8,958**	**30,116**	**126,222**

	Within 1 year	1-2 years	2-5 years	Over 5 years
As at 31 December 2016				
Borrowings	113,463	10,717	32,150	140,903
Trade payables	19,447	–	–	–
Notes payables	20,000	–	–	–
Other payables	28,777	–	–	–
	181,687	10,717	32,150	140,903

(d) Concentration risk

Revenue of the Group is principally derived from Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine") which owns the operating mines of the Group. Any disruptions to the operation of the mine may have a material adverse impact on the Group's financial position and results of operations.

During the year end 31 December 2017, 100% of the Group's revenue was derived from sales to the top five customers (2016: 90%). If these major customers terminate their business relationships with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations. Therefore management keeps closely monitoring transactions with these major customers.

(Amounts expressed in thousands of RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by the aggregate amount of total equity and total borrowings.

During 2017, the Group's strategy was unchanged from 2016. The gearing ratios at 31 December 2017 and 31 December 2016 were as follows:

	As at 31 December	
	2017	2016
Total borrowings	**207,210**	211,412
Total equity and borrowings	**591,183**	742,569
Gearing ratio	**35.1%**	28.5%

3.3 Fair value estimation

The Group's financial instruments carried at fair value as at 31 December 2017 are defined by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

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

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

The Group's available-for-sale financial assets represent 7.6% of the ordinary shares of Athena Resources Limited held by Ishine International, which is measured at fair value as level 1 investment.

The carrying amounts of the Group's financial assets including cash and cash equivalents, term deposits, restricted bank deposits, trade receivables, notes receivables, other receivables and financial liabilities including trade payables, other payables and short-term borrowings approximate their fair values due to their short maturities. As of 31 December 2017 and 2016, fair values of long-term bonds, which are calculated based on market interest rate and the risk factors attributable to the Group with similar terms, approximated their carrying value.

4. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

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

Property, plant and equipment and intangible assets are stated at cost or cost less depreciation or amortisation. The carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. It's very difficult for the Group to make an estimate of fair value less costs of disposal as there is no basis for making a reliable estimate, which made the Group accept value in use as the recoverable amount. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's financial position and results of operations.

(b) Impairment of inventory

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

(c) Impairment of receivables

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

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

4. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

(d) Reserves

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

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

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

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

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

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

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

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

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

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

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

(ii) extent of required clean-up efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

4. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

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

(v) identification of new remediation sites.

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

(f) Income taxes and deferred taxes

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

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

5. SEGMENT INFORMATION

(a) General information

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

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

During the year ended 31 December 2017, the CODM made the following changes to the reportable segments to reflect the changes of relevant business, the comparatives have also been restated.

(i) In January 2017, Tianjin Ever Grand Financial Leasing Co., Ltd. ("Ever Grand") terminated its external finance lease contract. The SEM decided to temporarily suspend finance lease business and Ever Grand is no longer reported as a separate reportable operating segment for the year ended 31 December 2017.

(ii) On 18 November 2017, the Company announced that Shandong Ishine and the Controlling Shareholders has entered into an agreement with two independent natural persons, pursuant to which Shandong Ishine sold all its interests in Linyi Luxing Titanium Co., Ltd. ("Luxing Titanium"), with a cash consideration amounting to RMB20,900,000. The transaction was completed on 30 November 2017. Luxing Titanium is reported in the current period as a discontinued operation.

(Amounts expressed in thousands of RMB unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

(a) General information (Continued)

(iii) In 2017, the SEM decided not to actively pursue business in Australia. On 29 December 2017, Mr. Li Yunde, the Controlling Shareholders of the Company, submitted his resignation to the board of directors of Ishine International Resources Ltd. ("Ishine International"), and retired from the position of executive director and chairman of Ishine International. The Group no longer has control in Ishine International since from 29 December 2017. Ishine International is reported in the current period as a discontinued operation.

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

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

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies.

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

The segment information provided to the SEM for the years ended 31 December 2017 and 2016 is as follows:

	Shandong Ishine	Discontinued operations	Unallocated	Inter-segment elimination	Total
Year ended 31 December 2017					
Revenue	**30,306**	**–**	**–**	**–**	**30,306**
Gross profit	**(37,698)**	**–**	**–**	**–**	**(37,698)**
Finance income	**3,833**	**4**	**4**	**–**	**3,841**
Finance expenses	**(4,407)**	**(4,337)**	**(6,810)**	**–**	**(15,554)**
Impairment losses	**(2,581)**	**–**	**–**	**–**	**(2,581)**
– Inventories	**2,991**	**–**	**–**	**–**	**2,991**
– Trade receivables	**(866)**	**–**	**–**	**–**	**(866)**
– Other receivables	**456**	**–**	**–**	**–**	**456**
Income tax expense	**(365)**	**(1,026)**	**–**	**–**	**(1,391)**
Net loss	**(67,515)**	**(55,586)**	**(18,496)**	**–**	**(141,597)**
Other information					
Depreciation of PPE	**(15,339)**	**(425)**	**–**	**–**	**(15,764)**
Expenditures for non-current assets	**5,959**	**–**	**1,262**	**–**	**7,221**
As at 31 December 2017					
Segment assets and liabilities					
Total assets	**727,731**	**110,003**	**2,046,618**	**(2,111,866)**	**772,486**
Total liabilities	**415,885**	**125,683**	**713,356**	**(866,411)**	**388,513**

(Amounts expressed in thousands of RMB unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

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

	Shandong Ishine	Discontinued operations	Unallocated	Inter-segment elimination	Total
Year ended 31 December 2016					
Revenue	55,237	970	5,492	(3,451)	58,248
Gross profit	157	(55)	5,390	(3,451)	2,041
Finance income	2,981	2	12	–	2,995
Finance expenses	(9,671)	(1,900)	(18,247)	2,371	(27,447)
Impairment losses	(28,797)	(2,019)	–	–	(30,816)
– PPE	(34,144)	(2,019)	–	–	(36,163)
– Intangible assets	(3,137)	–	–	–	(3,137)
– Inventories	8,629	–	–	–	8,629
– Trade receivables	(145)	–	–	–	(145)
Income tax expense	(9,348)	893	–	–	(8,455)
Net loss	(72,558)	(12,477)	(33,020)	–	(118,055)
Other information					
Depreciation of PPE	(19,980)	(1,871)	(11)	–	(21,862)
Expenditures for non-current assets	6,928	–	871	–	7,799
As at 31 December 2016					
Segment assets and liabilities					
Total assets	794,204	146,632	965,318	(1,022,657)	883,497
Total liabilities	314,756	177,018	131,110	(270,544)	352,340

(Amounts expressed in thousands of RMB unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Mining infrastructures	Vehicles, equipment and others	Construction in progress	Total
Year ended 31 December 2016					
Opening net book amount	71,951	123,387	94,602	62,990	352,930
Additions	578	–	–	7,221	7,799
Written off or disposals – cost	–	–	(5,605)	–	(5,605)
Written off or disposals – accumulated depreciation	–	–	5,038	–	5,038
Depreciation charge	(5,463)	(401)	(15,998)	–	(21,862)
Impairment charge *(Note 7(d))*	(9,441)	(16,478)	(10,244)	–	(36,163)
Closing net book amount	57,625	106,508	67,793	70,211	302,137
At 31 December 2016					
Cost	126,592	161,049	209,975	70,211	567,827
Accumulated depreciation and impairment	(68,967)	(54,541)	(142,182)	–	(265,690)
Net book amount	57,625	106,508	67,793	70,211	302,137
Year ended 31 December 2017					
Opening net book amount	**57,625**	**106,508**	**67,793**	**70,211**	**302,137**
Additions	**–**	**975**	**1,183**	**5,063**	**7,221**
Disposal of subsidiaries	**(3,591)**	**(16,884)**	**(12,589)**	**(3,639)**	**(36,703)**
Written off or disposals – cost	**–**	**–**	**(567)**	**–**	**(567)**
Written off or disposals – accumulated depreciation	**–**	**–**	**538**	**–**	**538**
Depreciation charge	**(4,508)**	**(173)**	**(11,083)**	**–**	**(15,764)**
Closing net book amount	**49,526**	**90,426**	**45,275**	**71,635**	**256,862**
At 31 December 2017					
Cost	**118,872**	**118,005**	**195,476**	**71,635**	**503,988**
Accumulated depreciation and impairment	**(69,346)**	**(27,579)**	**(150,201)**	**–**	**(247,126)**
Net book amount	**49,526**	**90,426**	**45,275**	**71,635**	**256,862**

For the year ended 31 December 2017, depreciation expenses charged in 'costs of sales', 'administrative expenses' and 'inventories' were RMB1,652,000 (2016: RMB163,000), RMB10,433,000 (2016: RMB19,866,000) and RMB3,679,000 (2016: RMB1,833,000), respectively.

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Based on an outlook of the market price of iron concentrates and ilmenite concentrates during the year ended 31 December 2017, management of the Group carried out an impairment test on the related assets of Shandong Ishine, which was considered as a separate CGU.

As at 31 December 2017, management estimated the recoverable amounts of PPE of Shandong Ishine, comprising buildings and structures, mining infrastructures, vehicles, equipment and others.

The recoverable amount of the CGU was determined based on value in use calculations. These calculations used cash flow projections based on financial budgets approved by management covering a six-year period, which reflected cash flow from the sales of iron and ilmenite concentrates from the production of the mines of CGU less estimated costs, discounted at 12.3%. Cash flow beyond the six-year period was extrapolated using a zero growth rate until the end of a twenty-year period. The key assumptions used in the value in use calculations in the year ended 31 December 2017 were as follows:

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

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

As a result of the above assessment, no impairment losses were recognised during the year ended 31 December 2017, as the present value of value in use is above the carrying amount of the PPE.

Impairment losses of RMB34,144,000 and RMB2,019,000 were recognised (Note 27) during the year ended 31 December 2016 to write down the carrying amounts of PPE of Shandong Ishine and Luxing Titanium to their recoverable amounts, respectively.

(Amounts expressed in thousands of RMB unless otherwise stated)

7. INTANGIBLE ASSETS

	Exploration rights (a)	Exploration and evaluation assets (b)	Mining rights (c)	Total
Year ended 31 December 2016				
Opening net book amount	–	–	61,287	61,287
Impairment charge	–	–	(3,137)	(3,137)
Closing net book amount	–	–	58,150	58,150
At 31 December 2016				
Cost	10,902	16,142	123,327	150,371
Accumulated amortisation and impairment	(10,902)	(16,142)	(65,177)	(92,221)
Net book amount	–	–	58,150	58,150
Year ended 31 December 2017				
Opening net book amount	**–**	**–**	**58,150**	**58,150**
Disposal of subsidiaries	**–**	**–**	**(58,150)**	**(58,150)**
Closing net book amount	**–**	**–**	**–**	**–**
At 31 December 2017				
Cost	**10,902**	**16,142**	**65,177**	**92,221**
Accumulated amortisation and impairment	**(10,902)**	**(16,142)**	**(65,177)**	**(92,221)**
Net book amount	**–**	**–**	**–**	**–**

(Amounts expressed in thousands of RMB unless otherwise stated)

7. INTANGIBLE ASSETS (CONTINUED)

(a) Exploration rights consist of exploration right of an iron ore mine in Shandong Province, the PRC, acquired by the Group in 2008.

All exploration rights have been fully impaired as at 31 December 2016 and 2017.

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

All exploration and evaluation assets have been fully impaired as at 31 December 2016 and 2017.

(c) As at 31 December 2016 and 2017, bank borrowings were secured by a mining right of Shandong Ishine, in Shandong Province, the PRC (Note 23(b)).

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Interests in an associate

Set out below is the information of Ishine International, the associate of the Group as at 31 December 2017. It has share capital consisting solely of ordinary shares, which are held directly by Shandong Ishine. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Place of business/country of incorporation	% of ownership interest 2017	Nature of relationship	Measurement method	Quoted fair value 2017	Carrying amount 2017
	%				
Australia	30.22	Associate (1)	Equity method	45,764	3,408

In the opinion of the SEM, the associate is immaterial to the Group.

(Amounts expressed in thousands of RMB unless otherwise stated)

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Summarised financial information for associates

The tables below provide summarised financial information for Ishine International. The information disclosed reflects the amounts presented in the financial statements of Ishine International and not the Group's share of those amounts. They have been amended to reflect adjustments made by the associate when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	As at 31 December 2017
Current assets	**2,288**
Available for sale financial assets	**1,141**
Other non-current assets	**160**
Total assets	**3,589**
Current liabilities	**(181)**
Non-current liabilities	**–**
Total liabilities	**(181)**
Net assets	**3,408**
Reconciliation to carrying amounts:	
Opening net assets at 29 December 2017	**3,408**
Closing net assets	**3,408**
Percentage of the Group's share	**30.22%**
Amount of the Group's share (16(c)(ii))	**13,830**
Goodwill	**–**
Carrying amount	**13,830**

Since Ishine International became an associate on 29 December 2017, no material profit or loss or cash flows incurred during 29 December 2017 to 31 December 2017.

(Amounts expressed in thousands of RMB unless otherwise stated)

9. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	As at 31 December	
	2017	2016
Deferred tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	–	14,152
– Deferred income tax assets to be recovered within 12 months	–	892
	–	15,044
Deferred tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**(8,262)**	(17,393)
– Deferred income tax liabilities to be recovered within 12 months	–	(40)
	(8,262)	(17,433)
Deferred tax liabilities, net	**(8,262)**	(2,389)

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

	Year ended 31 December	
	2017	2016
At 1 January	**(2,389)**	6,066
Charge to the statement of comprehensive income *(Note 33)*	**(1,391)**	(8,455)
Disposal of subsidiaries	**(4,482)**	–
At 31 December	**(8,262)**	(2,389)

(Amounts expressed in thousands of RMB unless otherwise stated)

9. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

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

(a) Deferred income tax assets

	Provisions for close down, restoration and environmental costs	Tax losses	Impairment losses	Others	Total
At 31 December 2015	4,359	13,596	31,005	400	49,360
Credited/(charged) to the statement of comprehensive income	291	(9,826)	2,307	(339)	(7,567)
At 31 December 2016	4,650	3,770	33,312	61	41,793
Credited/(charged) to the statement of comprehensive income	161	–	(196)	(811)	(846)
Disposal of subsidiaries	(4,604)	(2,890)	(21,336)	–	(28,830)
At 31 December 2017	**207**	**880**	**11,780**	**(750)**	**12,117**

(b) Deferred income tax liabilities

	Depreciation of mining infrastructure	Fair value adjustment in business combination	Total
At 31 December 2015	(19,758)	(23,536)	(43,294)
Charged to the statement of comprehensive income	(888)	–	(888)
At 31 December 2016	(20,646)	(23,536)	(44,182)
Charged to the statement of comprehensive income	(545)	–	(545)
Disposal of subsidiaries	812	23,536	24,348
At 31 December 2017	**(20,379)**	**–**	**(20,379)**

(i) As at 31 December 2017, the Group did not recognise deferred income tax assets of RMB26,255,000 (2016: RMB24,693,000) in respect of accumulated losses arising from Shandong Ishine amounting to RMB175,030,000 (2016: RMB164,620,000), that can be carried forward against future taxable income.

(Amounts expressed in thousands of RMB unless otherwise stated)

9. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Deferred income tax liabilities (Continued)

(ii) The expiry dates of the taxable losses of the Company and its subsidiaries for which no deferred income tax assets were recognised are summarised as follows:

	As at 31 December	
	2017	2016
Year of expiry		
2017	**–**	–
2018	**–**	–
2019	**–**	–
2020	**106,933**	106,933
2021	**57,687**	57,687
2022	**10,410**	–
	175,030	164,620

10. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2017	2016
Land restoration deposits	**5,224**	3,790
Prepaid taxes	**3,559**	3,580
	8,783	7,370

11. INVENTORIES

	As at 31 December	
	2017	2016
Raw materials		
– Iron ore and ilmenite ore	**74**	12,428
– Others	**1,968**	5,228
Finished goods	**29,646**	5,067
Spare parts and others	**4,425**	9,552
Provision for inventory	**(2,991)**	–
	33,122	32,275

For the year ended 31 December 2017, the costs of inventories recognised as 'cost of sales' amounted to RMB55,577,000 (2016: RMB53,307,000) (Note 27).

During the year ended 31 December 2017, net realisable value of finished goods with cost of RMB26,655,000 was lower than its cost, therefore, impairment provision of RMB2,991,000 has been charged to the statement of comprehensive income.

(Amounts expressed in thousands of RMB unless otherwise stated)

12. TRADE RECEIVABLES

	As at 31 December	
	2017	2016
Trade receivables	**32,739**	87,077
Less: allowance for impairment of trade receivables	**(6,588)**	(9,658)
Trade receivables – net	**26,151**	77,419

As at 31 December 2017 and 2016, the carrying amounts of the Group's trade receivables approximated their fair values.

The majority of the Group's sales are with credit terms of 90 days. As of 31 December 2017, gross trade receivables of RMB32,739,000 were past due but not impaired (2016: gross amount of RMB84,020,000). At 31 December 2017 and 2016, the ageing analysis of trade receivables was as follows:

	As at 31 December	
	2017	2016
Within 3 months	–	3,057
3 to 6 months	–	–
6 months to 1 year	–	2,344
Over 1 year	**32,739**	81,676
	32,739	87,077

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

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

	Year ended 31 December	
	2017	2016
At 1 January	**9,658**	9,513
(Reversal)/provision for trade receivables impairment	**(866)**	145
Disposal of subsidiaries	**(2,204)**	–
At 31 December	**6,588**	9,658

(Amounts expressed in thousands of RMB unless otherwise stated)

13. NOTES RECEIVABLES

	As at 31 December	
	2017	2016
Bank acceptance notes	**42,000**	7,000

All bank acceptance notes are due within 12 months as at 31 December 2017 and 2016.

As at 31 December 2017 and 2016, the carrying amounts of the Group's notes receivables approximated their fair values.

14. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
Advance to suppliers	**267**	54,212
Prepaid taxes	**10,996**	9,651
Land restoration deposits	**86**	2,571
Undeducted input VAT	**5,767**	3,321
Advance to employees	**184**	929
Loans to Yishui Hesheng Minerals Processing Co. Ltd.	**–**	58,264
Others	**7,445**	4,827
	24,745	133,775

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	As at 31 December	
	2017	2016
Cash and cash equivalents		
– Cash on hand	**359**	367
– Cash at bank	**123,268**	119,987
	123,627	120,354
Term deposits – maturity over 3 months	**160,000**	100,000
Restricted bank deposits		
– Deposits for bank acceptance notes	**80,000**	25,000
– Deposits for land restoration	**3,366**	3,308
	83,366	28,308
	366,993	248,662

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

	As at 31 December	
	2017	2016
RMB	**348,865**	202,289
HKD	**1,540**	9,869
USD	**14,991**	30,680
AUD	**1,597**	5,824
	366,993	248,662

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

(Amounts expressed in thousands of RMB unless otherwise stated)

16. DISCONTINUED OPERATIONS

(a) Description

The Group's interests in Luxing Titanium were disposed on 30 November 2017. The Group ceased the control in Ishine International on 29 December 2017. The Group reports Luxing Titanium and Ishine International in the current period as discontinued operations (Note 5(a)).

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(b) Financial performance and cash flow information

(i) Luxing Titanium

The financial performance and cash flow information presented are for the eleven months ended 30 November 2017 and the year ended 31 December 2016.

	2017	2016
Revenue	–	601
Expenses	**(325)**	(11,327)
Finance expenses – net	**(4,333)**	(1,975)
Loss before income tax	**(4,658)**	(12,701)
Income tax expense	**(1,026)**	893
Loss after income tax of discontinued operation	**(5,684)**	(11,808)
Loss on disposal of the subsidiary after income tax (c(i))	**(60,295)**	–
Total comprehensive loss from discontinued operations	**(65,979)**	(11,808)
Net cash used in operating activities	**(69,576)**	(58,624)
Net cash generated from investing activities (2017 includes an inflow of RMB20,900,000 from the disposal of the subsidiary)	**20,900**	–
Net cash generated from financing activities	**30,000**	40,000
Net decrease in cash used by the subsidiary	**(18,676)**	(18,624)

(Amounts expressed in thousands of RMB unless otherwise stated)

16. DISCONTINUED OPERATIONS (CONTINUED)

(b) Financial performance and cash flow information (Continued)

(ii) Ishine International

The financial performance and cash flow information presented are for the period from 1 January 2017 to 29 December 2017 and the year ended 31 December 2016.

	2017	2016
Revenue	–	369
Expenses	(1,848)	(1,115)
Other income/(loss)	(559)	–
Finance expenses – net	–	77
Loss before income tax	(2,407)	(669)
Income tax expense	–	–
Loss after income tax of discontinued operation	(2,407)	(669)
Gain on fair value change in the Group's remaining interests	12,800	–
Gain/(Loss) from discontinued operations	**10,393**	(669)
Change in value on available-for-sale financial assets	559	1,190
Currency translation differences	594	(90)
Total comprehensive income/(loss) from discontinued operations	**11,546**	(431)
Net cash used in operating activities	(3,568)	(3,319)
Net cash used in investing activities (2017 includes an outflow of RMB2,253,000 from the disposal of the subsidiary)	(2,254)	–
Net cash generated from financing activities	–	(1,555)
Net decrease in cash used by the subsidiary	**(5,822)**	(4,874)

(Amounts expressed in thousands of RMB unless otherwise stated)

16. DISCONTINUED OPERATIONS (CONTINUED)

(c) Details of the disposal of subsidiaries

(i) Luxing Titanium

	2017
Proceeds received in cash on disposal of Luxing Titanium	**20,900**
Less: carrying amounts of the Group's interests in Luxing Tiyanium's net assets	**18,134**
Less: The Group's receivables due from Luxing Titanium	**(99,329)**
Loss on disposal of Luxing Titanium	**(60,295)**

i) The carrying amounts of assets and liabilities as at the date of disposal (30 November 2017) were:

	30 November 2017
Property, plant and equipment	**36,696**
Intangible assets	**58,150**
Other non-current assets	**1,000**
Deferred income tax assets	**4,482**
Inventory	**3,160**
Trade receivables	**2,835**
Prepayments and other receivables	**91**
Total assets	**106,414**
Provision for close down, restoration and environmental costs	**(18,763)**
Trade payables	**(905)**
Accruals and other payables	**(105,834)**
Total liabilities	**(125,502)**
Net assets	**(19,088)**
The Group's share of net assets (95%)	**(18,134)**

ii) Inflow of cash to dispose Luxing Titanium, net of cash disposed:

	30 November 2017
Proceeds received in cash	**20,900**
Cash and cash equivalents in Luxing Titanium	**–**
Net proceeds received from disposal of Luxing Titanium	**20,900**

(Amounts expressed in thousands of RMB unless otherwise stated)

16. DISCONTINUED OPERATIONS (CONTINUED)

(c) Details of the disposal of subsidiaries (Continued)

(ii) Ishine International

	2017
Less: carrying amounts of the Group's interests in Ishine International's net assets	**(1,030)**
Fair value of the Group's remaining interests upon disposal	**13,830**
Gain on disposal of Ishine International	**12,800**

Fair value of Ishine International is determined by reference to its share price published on Australian Securities Exchange as of 29 December 2017.

i) The carrying amounts of assets and liabilities as at the date of disposal (29 December 2017) were:

	29 December 2017
Property, plant and equipment	**7**
Investment in subsidiaries	**153**
Available for sale financial assets	**1,141**
Prepayments and other receivables	**35**
Cash and cash equivalents	**2,253**
Total assets	**3,589**
Accruals and other payables	**(181)**
Total liabilities	**(181)**
Net assets	**3,408**
The Group's share of net assets (30.22%)	**1,030**

ii) Outflow of cash to dispose Ishine International, net of cash disposed:

Proceeds received in cash	–
Outflow of cash in disposal of Ishine International	(2,253)
Net outflow of cash on disposal of Ishine International	(2,253)

(Amounts expressed in thousands of RMB unless otherwise stated)

17. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Share capital	Share premium	Total
At 31 December 2015	4,426,857,920	7,136	620,930	628,066
Repurchase of shares (a)	(29,528,000)	(50)	(4,919)	(4,969)
Proceeds from shares issued (b) (c)	219,050,000	378	20,918	21,296
At 31 December 2016	4,616,379,920	7,464	636,929	644,393
Repurchase of shares (a)	(25,958,000)	(51)	(2,601)	(2,652)
At 31 December 2017	**4,590,421,920**	**7,413**	**634,328**	**641,741**

(a) Repurchase of shares

The Group purchased 25,958,000 of its own shares on The Stock Exchange of Hong Kong Limited in August, September and October 2017 and cancelled the shares in November and December 2017. The total amount paid to purchase the shares was HKD3,149,000 (equivalent to RMB2,652,000) and has been deducted from shareholders' equity.

The Group purchased 29,528,000 of its own shares on The Stock Exchange of Hong Kong Limited in January and February 2016 and cancelled the shares in March 2016. The total amount paid to purchase the shares was HKD5,887,000 (equivalent to RMB4,969,000) and has been deducted from shareholders' equity.

(b) On 1 August 2016, the Company entered into a placing agreement with Chaoshang Securities Limited ("the Placing Agent"), in relation to the placing of placing shares. Pursuant to the placing agreement, the Company has conditionally agreed to place up to 600,000,000 placing shares at the placing price of RMB0.0944 (equal to HKD0.11) per placing share. And the placing was completed on 24 August 2016. An aggregate of 121,800,000 placing shares have been placed to six placees who are independent third parties, at the placing price. The net proceeds from the placing was approximately HKD12,700,000.

(c) On 31 August 2016, the Company entered into another placing agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place up to 400,000,000 placing shares at the placing price of RMB0.107 (equal to HKD0.124) per placing share. And the placing was completed on 21 September 2016. An aggregate of 97,250,000 placing shares have been placed to not less than six places who are independent third parties, at the placing price. The net proceeds from the placing was approximately HKD11,500,000.

(Amounts expressed in thousands of RMB unless otherwise stated)

18. RESERVES

	Merger reserve (a)	Capital reserve	Statutory reserve fund (b)	Safety fund (c)	Future development fund (d)	Share-based payment reserve	Available-for-sale investments	Currency translation differences	Total
At 31 December 2015	(162,269)	50,941	48,483	73,581	26,417	27,605	56	(426)	64,388
Utilisations	–	–	–	(160)	(23)	–	–	–	(183)
Change in value on available-for-sale financial assets	–	–	–	–	–	–	360	–	360
Contribution from non-controlling shareholders	–	2,188	–	–	–	–	–	–	2,188
Currency translation differences	–	–	–	–	–	–	–	(27)	(27)
At 31 December 2016	(162,269)	53,129	48,483	73,421	26,394	27,605	416	(453)	66,726
(Utilisations)/Appropriation	–	–	–	(39,941)	2,825	–	–	–	(37,116)
Change in value on available-for-sale financial assets	–	–	–	–	–	–	169	–	169
Disposal of subsidiaries	–	–	–	(14,806)	(24,722)	–	–	–	(39,528)
Currency translation differences	–	–	–	–	–	–	–	179	179
At 31 December 2017	**(162,269)**	**53,129**	**48,483**	**18,674**	**4,497**	**27,605**	**585**	**(274)**	**(9,570)**

(a) Merger reserve

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

(b) Statutory reserve fund

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

For the years ended 31 December 2017 and 2016, these PRC registered subsidiaries did not make appropriation to the statutory reserve fund due to making losses for the respective years.

(c) Safety fund

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, Shandong Ishine and Luxing Titanium are required to appropriate to a safety fund at RMB8 per ton of iron ore and ilmenite ore mined under well and at RMB4 per ton of iron ore and ilmenite ore mined in the open pit. The fund can be used for improvements of safety of mines, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditures, Shandong Ishine and Luxing Titanium are eligible to transfer the equivalent amount of the expenditures from safety fund to retained earnings.

(Amounts expressed in thousands of RMB unless otherwise stated)

18. RESERVES (CONTINUED)

(d) Future development fund

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

19. ACCUMULATED LOSSES

At 31 December 2015	(68,152)
Loss for the year	(117,240)
Transfer from reserves (Note 18(c) and (d))	183
At 31 December 2016	(185,209)
Loss for the year	(139,633)
Transfer from reserves (Note 18(c) and (d))	37,116
Disposal of subsidiaries (a)	39,528
At 31 December 2017	**(248,198)**

(a) When the Group's interests in Luxing Titanium was disposed, the balances of Luxing Titanium 's safety fund and future development fund attributable to Shandong Ishine was transferred to Shandong Ishine's retained earnings.

20. TRADE PAYABLES

	As at 31 December	
	2017	2016
Trade payables	**17,353**	19,447

As at 31 December 2017 and 2016, the ageing analysis of trade payables was as follows:

	As at 31 December	
	2017	2016
Within 6 months	**10,515**	8,192
6 months to 1 year	**74**	958
Over 1 year	**6,764**	10,297
	17,353	19,447

As at 31 December 2017 and 2016, all the Group's trade payables are denominated in RMB.

(Amounts expressed in thousands of RMB unless otherwise stated)

21. NOTES PAYABLES

	As at 31 December	
	2017	2016
Bank acceptance notes	**100,000**	20,000

22. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2017	2016
Accrued land compensation costs	**10,156**	10,492
Advance construction funds from government	**19,882**	18,856
Guarantee deposits	**4,013**	10,247
Employee benefits payable	**4,540**	5,523
Interest payable	**3,749**	4,005
Others	**3,891**	6,231
	46,231	55,354

23. BORROWINGS

	As at 31 December	
	2017	2016
Non-current		
Bonds	**107,210**	111,412
Current		
Bank borrowings	**100,000**	100,000
Total Borrowings	**207,210**	211,412
Representing:		
Unsecured		
– Bonds wholly payable after 7.5 years (a)	**107,210**	111,412
Secured		
– Pledged (b)	**100,000**	100,000
	207,210	211,412

(Amounts expressed in thousands of RMB unless otherwise stated)

23. BORROWINGS (CONTINUED)

At 31 December 2017 and 2016, the Group's borrowings were repayable as follows:

	As at 31 December	
	2017	2016
Within 1 year	**100,000**	100,000
1 year to 5 year	**100,948**	–
Over 5 years	**6,262**	111,412
	207,210	211,412

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

	As at 31 December	
	2017	2016
RMB	**100,000**	100,000
HKD	**107,210**	111,412
	207,210	211,412

(a) Unsecured bonds

During the years ended 31 December 2015 and 2014, the Company issued bonds to several independent third parties with a coupon rate of 7.00% per annum, payable in 7.5 years from the respective issue dates.

As at 31 December 2017 and 2016, the aggregate carrying amount of the bonds was HKD128,255,000 (equivalent to RMB107,210,000) and HKD124,551,000 (equivalent to RMB111,412,000).

(b) Pledged bank borrowings

As at 31 December 2017, bank borrowings of RMB100,000,000 (31 December 2016: RMB100,000,000) were secured by a mining right of Shandong Ishine, in Shandong Province, the PRC. The interest rate at 31 December 2017 was 4.65% (31 December 2016: 4.65%).

(Amounts expressed in thousands of RMB unless otherwise stated)

24. PROVISIONS FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	As at 31 December	
	2017	2016
At 1 January	**26,992**	25,759
Unwinding of discount charged to the statement of comprehensive income *(Note 31)*	**1,822**	1,406
Utilised during the year	**(1,096)**	(173)
Disposal of subsidiaries	**(18,763)**	–
At 31 December	**8,955**	26,992

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

25. DIVIDENDS

At a meeting held on 28 March 2018, the Board of Directors did not recommend a final dividend for the year ended 31 December 2017 (2016: nil).

26. REVENUE

	Year ended 31 December	
	2017	2016
Production		
– Sales of iron concentrates	**8,188**	3,591
– Sales of titanium concentrates	**251**	6,781
Trading		
– Sales of coarse iron powder	**21,867**	44,386
Rental		
– Finance lease	**–**	3,122
Others	**–**	368
	30,306	58,248

(Amounts expressed in thousands of RMB unless otherwise stated)

26. REVENUE (CONTINUED)

	As at 31 December	
	2017	2016
Revenue is attributable to:		
– Continuing operations	**30,306**	57,278
– Discontinued operations *(Note 16(b))*	**–**	970
	30,306	58,248

27. EXPENSES BY NATURE

	Year ended 31 December	
	2017	2016
Changes in inventories of finished goods, iron ore and ilmenite ore	**(12,225)**	6,141
Raw materials used for trading	**21,861**	45,671
Raw materials used for production	**6,037**	897
Utilization of safety fund and future development fund	**38,907**	–
Spare parts and others	**997**	598
Employee benefit expense *(Note 28)*	**9,840**	8,236
Land compensation expenses	**5,801**	8,136
Depreciation *(Note 6)*	**12,085**	20,029
Impairment in PPE *(Note 6)*	**–**	36,163
Impairment in intangible assets *(Note 7)*	**–**	3,137
Inventory provision provided/(reversal) *(Note 11)*	**2,991**	(8,629)
Reversal of impairment in trade and other receivables	**(866)**	145
Provision of impairment in other receivables	**456**	–
Transportation expenses	**407**	1,384
Utilities and electricity	**5,424**	2,663
Professional fees	**2,629**	3,595
Auditors' remuneration		
– Audit services	**2,748**	2,925
– Non-audit services	**–**	–
Travelling expenses	**1,833**	2,875
Rental and insurance fee	**1,200**	2,106
Other expenses	**10,726**	8,708
Total cost of sales, distribution expenses and administrative expenses	**110,851**	144,780
Expense is attributable to:		
– Continuing operations	**108,678**	132,338
– Discontinued operations *(Note 16(b))*	**2,173**	12,442
	110,851	144,780

(Amounts expressed in thousands of RMB unless otherwise stated)

28. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2017	2016
Wages, salaries and allowances	**8,530**	6,799
Pensions and others welfare expenses	**1,310**	1,437
	9,840	8,236
Expense is attributable to:		
– Continuing operations	**9,488**	8,497
– Discontinued operations	**352**	(261)
	9,840	8,236

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2016: three) directors whose emoluments are reflected in the analysis shown in Note 39. The emoluments payable to the remaining one (2016: two) individuals during the year are as follows:

	Year ended 31 December	
	2017	2016
Basic salaries and allowances	**582**	1,026
Contribution to pension scheme	**16**	15
	598	1,041

The emoluments of the five highest paid individuals fell within the following band:

	Number of individuals Year ended 31 December	
	2017	2016
Emolument band		
HKD500,000 and below	**2**	2
HKD500,001 – HKD1,000,000	**3**	3

(Amounts expressed in thousands of RMB unless otherwise stated)

29. OTHER INCOME/(LOSS)

	Year ended 31 December	
	2017	2016
Interest income on FVPL	–	1,322
Loss on disposal of FVPL	–	(1,652)
Transaction costs related to FVPL	–	(2)
Others	**(493)**	–
	(493)	(332)
Other income/(loss) is attributable to:		
– Continuing operations	**66**	(332)
– Discontinued operations *(Note 16(b))*	**(559)**	–
	(493)	(332)

30. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2017	2016
(Losses)/gains on disposal of PPE	**(1)**	(323)
Government grants	**41**	2,117
Others	–	(78)
	40	1,716
Gains is attributable to:		
– Continuing operations	**40**	1,716
– Discontinued operations *(Note 16(b))*	–	–
	40	1,716

(Amounts expressed in thousands of RMB unless otherwise stated)

31. FINANCE EXPENSES – NET

	Year ended 31 December	
	2017	2016
Interest expense:		
– Borrowings	**(15,763)**	(19,843)
– Provisions: unwinding of discount *(Note 24)*	**(1,822)**	(1,406)
– Discount of bank acceptance notes	**(2,946)**	(907)
Net foreign exchange gains/(losses)	**5,126**	(5,046)
Other finance expenses	**(149)**	(245)
Finance expenses	**(15,554)**	(27,447)
Finance income:		
– Interest income on bank deposits	**3,841**	2,995
Net finance expenses	**(11,713)**	(24,452)
Finance expense is attributable to:		
– Continuing operations	**(7,380)**	(22,554)
– Discontinued operations *(Note 16(b))*	**(4,333)**	(1,898)
	(11,713)	(24,452)

(Amounts expressed in thousands of RMB unless otherwise stated)

32. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2017 (expressed in dollar of respective currency):

Company name	Place and date of incorporation	Principal activities	Type of legal entity	Issued/ paid-up capital	Equity interest attributable to the Group
Directly held:					
Alliance Worldwide	BVI/ 29 November 2010	Investment holding	Limited liability company	USD50,000	100%
Rongsheng	Cayman Islands/ 27 March 2015	Investment holding	Limited liability company	HKD0.06	100%
Indirectly held:					
Fortune Shine	Cayman Islands/ 21 September 2010	Investment holding	Limited liability company	USD50,000	100%
Shine Mining	Hong Kong/ 1 November 2010	Investment holding	Limited liability company	HKD10,000	100%
Ishine Mining	Hong Kong/ 22 December 2010	Investment holding	Limited liability company	HKD10,000	100%
Shandong Ishine	The PRC/ 4 December 2001	Iron ore mining, processing and sales of iron concentrates	Limited liability company	USD42,614,183	100%
Grandson	Hong Kong/ 3 October 2014	Investment holding	Limited liability company	HKD1	100%
Ever Grand	The PRC/ 3 April 2015	Finance lease	Limited liability company	USD30,000,000	100%
Yishui Shengrong	The PRC/ 9 October 2015	Wind power generation	Limited liability company	RMB182,000,000	100%

As at 31 December 2017, there were no non-controlling interests of the subsidiaries in the Group.

(Amounts expressed in thousands of RMB unless otherwise stated)

33. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
Deferred tax *(Note 9)*:		
Origination and reversal of temporary differences	**(1,391)**	(8,455)
Income tax is attributable to:		
– Continuing operations	**(365)**	(9,348)
– Discontinued operations *(Note 16(b))*	**(1,026)**	893
	(1,391)	(8,455)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 revised) of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

The subsidiaries incorporated in BVI under the International Business Companies Acts of the British Virgin Islands are exempted from payment of BVI income tax.

Hong Kong profit tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the years ended 31 December 2017 and 2016.

Corporate income tax in the PRC is calculated based on the statutory profit of the subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjusting certain items of income and expenses that are not assessable or deductible for income tax purposes.

In December 2015, Shandong Ishine was awarded with the National High-Tech Enterprise qualification. Pursuant to the related regulations, Shandong Ishine is entitled to a reduced income tax rate of 15%, effective from 1 January 2016 till 1 January 2019.

The tax rate for the Company's other PRC subsidiaries is 25% for the year ended 31 December 2017.

(Amounts expressed in thousands of RMB unless otherwise stated)

33. INCOME TAX EXPENSE (CONTINUED)

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

	Year ended 31 December	
	2017	2016
Loss before tax	**(140,206)**	(109,600)
Tax calculated at domestic tax rates applicable in the respective countries	**16,864**	13,069
Tax effects of:		
– Expenses not deductible for tax purposes	**(94)**	(162)
– Tax losses for which no deferred income tax asset was recognised	**(16,243)**	(11,536)
– Income not taxable	**(1,918)**	–
Reversal of deferred income tax assets recognised in prior years *(Note 9(a))*	–	(9,826)
Tax charge	**(1,391)**	(8,455)

34. LOSSES PER SHARE

(a) Basic

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2017	2016
Loss attributable to owners of the Company	**(139,633)**	(117,240)
– From continuing operations (RMB'000)	**(86,011)**	(105,578)
– From discontinued operations (RMB'000)	**(53,622)**	(11,662)
Weighted average number of ordinary shares in issue	**4,609,499,032**	4,468,948,029
Basic losses per share (Expressed in RMB per share)	**(0.03)**	(0.03)
Basic losses per share from continuing operations (Expressed in RMB per share)	**(0.02)**	(0.02)

(b) Diluted

As at 31 December 2017 and 2016, there were no dilutive instruments of the Company, the diluted losses per share were calculated in the same way as basic losses per share.

(Amounts expressed in thousands of RMB unless otherwise stated)

35. CASH GENERATED FROM/(USED IN) OPERATIONS

(a) Cash generated from operations

	Year ended 31 December	
	2017	2016
Loss before income tax	**(140,206)**	(109,600)
Adjustments for:		
– Depreciation *(Note 6)*	**12,085**	20,029
– Amortisation of deferred income	**–**	(40)
– Impairment losses *(Note 27)*	**2,581**	30,816
– Loss/(gain) on disposal of PPE	**(1)**	323
– Interest income on FVPL *(Note 29)*	**–**	(1,322)
– Interest expense on bank borrowings *(Note 31)*	**15,763**	19,843
– Interest expense on unwinding of discount *(Note 31)*	**1,822**	1,406
– loss on disposal of subsidiaries	**47,495**	–
– Interest income *(Note 31)*	**(3,841)**	(2,995)
– Exchange (gains)/losses	**(7,648)**	7,034
Changes in working capital:		
– Inventories	**(3,712)**	17,983
– Trade receivables	**41,844**	56,055
– Notes receivables	**(35,000)**	84,800
– Prepayments and other receivables	**106,035**	(101,158)
– FVPL	**–**	22,895
– Long-term receivables	**–**	72,953
– Trade payables	**(3,547)**	(30,404)
– Notes payables	**(20,000)**	(30,000)
– Accruals and other payables	**2,776**	4,548
– Amortisation of deferred income	**(2,041)**	–
– Provision for close down, restoration and environmental costs *(Note 24)*	**(1,096)**	(173)
Cash generated from/(used in) operations	**13,309**	62,993

(b) In the statement of cash flows, proceeds from disposal of PPE comprise:

	Year ended 31 December	
	2017	2016
Net book amount *(Note 6)*	**29**	567
Loss/(gain) on disposal of PPE *(Note 30)*	**(1)**	(323)
Proceeds from disposal of PPE	**28**	244

(Amounts expressed in thousands of RMB unless otherwise stated)

35. CASH GENERATED FROM/(USED IN) OPERATIONS (CONTINUED)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	**2017**	2016
Cash and cash equivalents	**123,627**	120,354
Borrowings – repayable within one year	**(100,000)**	(100,000)
Borrowings – repayable after one year	**(107,210)**	(111,412)
Net debt	**(83,583)**	(91,058)
Cash and cash equivalents	**123,627**	120,354
Gross debt – fixed interest rates	**(207,210)**	(211,412)
Net debt	**(83,583)**	(91,058)

	Other assets	**Liabilities from financing activities**		
	Cash	**Borrowings due within 1 year**	**Borrowings due after 1 year**	**Total**
Net debt as at 1 January 2017	120,354	(100,000)	(111,412)	(91,058)
Cash flows	2,679	–	–	2,679
Foreign exchange adjustments	594	–	7,299	7,893
Other non-cash movements	–	–	(3,097)	(3,097)
Net debt as at 31 December 2017	123,627	(100,000)	(107,210)	(83,583)

(d) Other investing activities cash in/out flows represent non-operating cash transactions with third parties.

(Amounts expressed in thousands of RMB unless otherwise stated)

36. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December	
	2017	2016
PPE	**7,241**	5,712

(b) Operating lease commitments

The Group leases equipments under non-cancellable operating leases expiring within two to six years.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2017	2016
Within one year	**1,200**	1,200
One year to two year	**1,200**	–
Two year to three year	**1,200**	–
Three year to four year	**1,200**	–
Four year to five year	**1,200**	–
Over than five years	**1,200**	–
	7,200	1,200

37. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Group and their close family members are also considered as related parties.

(a) During the years ended 31 December 2017 and 2016, the Company's directors were of the view that the following individual was a related party of the Group:

Name of related party	Nature of relationship
Mr. Li Yunde	The Controlling Shareholder

(b) Significant transactions with related parties

In 2017 and 2016, the Group has no significant transactions or balances with related parties.

(Amounts expressed in thousands of RMB unless otherwise stated)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Key management includes directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2017	2016
Wages, salaries and allowances	**2,562**	3,248
Contribution to pension scheme	**68**	57
	2,630	3,305

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2017	2016
ASSETS		
Non-current assets		
PPE	**3**	2
Interest in subsidiaries	**504,901**	749,658
	504,904	749,660
Current assets		
Prepayments and other receivables	**3,730**	4,051
Cash and cash equivalents	**14,077**	31,333
	17,807	35,384
Total assets	**522,711**	785,044
EQUITY		
Equity attributable to owners of the Company		
Share capital and share premium	**641,741**	644,393
Reserves (a)	**142,547**	142,547
Accumulated losses (a)	**(385,981)**	(126,568)
Total equity	**398,307**	660,372

(Amounts expressed in thousands of RMB unless otherwise stated)

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

	As at 31 December	
	2017	2016
LIABILITIES		
Non-current liabilities		
Borrowings	**107,210**	111,412
Current liabilities		
Accruals and other payables	**17,194**	13,260
	17,194	13,260
Total liabilities	**124,404**	124,672
Total equity and liabilities	**522,711**	785,044

The balance sheet of the Company was approved by the Board of Directors on 28 March 2018, and was signed on its behalf.

Executive Director

Executive Director

(a) Reserve movement of the Company

	Accumulated losses	Capital reserve	Share-based payment reserve
At 1 January 2016	(95,644)	119,549	22,998
Loss for the year	(30,924)	–	–
At 31 December 2016	(126,568)	119,549	22,998
Loss for the year	(259,413)	–	–
At 31 December 2017	**(385,981)**	**119,549**	**22,998**

(Amounts expressed in thousands of RMB unless otherwise stated)

39. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments for the years ended 31 December 2017 and 2016 are set out below:

	Year ended 31 December 2017	2016
Basic salaries and allowances	**2,046**	2,489
Contribution to pension scheme	**42**	42
	2,088	2,531

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

	Fees	Salary	Housing Allowance	Pension-defined contribution plan	Other Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Year ended 31 December 2017						
Executive Directors						
Li Yunde	**–**	**478**	**–**	**16**	**362**	**856**
Geng Guohua	**–**	**520**	**–**	**16**	**–**	**536**
Lang Weiguo	**–**	**208**	**–**	**10**	**–**	**218**
Independent Non-executive Directors						
Lin Chu Chang	**208**	**–**	**–**	**–**	**–**	**208**
Zhang Jingsheng	**104**	**–**	**–**	**–**	**–**	**104**
Li Xiaoyang	**104**	**–**	**–**	**–**	**–**	**104**
Non-executive Directors						
Chau Ching	**62**	**–**	**–**	**–**	**–**	**62**
Year ended 31 December 2016						
Executive Directors						
Li Yunde	–	864	–	15	346	1,225
Geng Guohua	–	513	–	15	–	528
Lang Weiguo	–	282	–	12	–	294
Independent Non-executive Directors						
Lin Chu Chang	218	–	–	–	–	218
Zhang Jingsheng	109	–	–	–	–	109
Li Xiaoyang	109	–	–	–	–	109
Non-executive Directors						
Chau Ching	48	–	–	–	–	48

39. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

During the year ended 31 December 2017 and 2016, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office.

(b) Directors' retirement benefits

No retirement benefits were paid to the directors during the year ended 31 December 2017 and 2016 by defined benefit pension plans operated by the Group in respect of their services as directors of the Company and its subsidiaries in connection with the management of the affairs of the Company or its subsidiary undertaking.

(c) Directors' termination benefits

No termination benefits were paid to the directors during the year ended 31 December 2017 and 2016 as compensation for the termination of the appointment of directors.

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2017 and 2016, no consideration was paid to the former employers of directors for making available the services of directors of the Company.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings entered into by the Company or subsidiary undertaking of the Company in favour of directors during the year ended 31 December 2017 and 2016.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2017 and 2016.

Financial Highlights

A summary of the operational results, assets and liabilities, cash flows and other financial ratios information is as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue	**30,306**	57,278	294,481	426,082	667,904
Cost of sales	**(68,004)**	(55,182)	(329,224)	(425,238)	(524,245)
Gross (loss)/profit	**(37,698)**	2,096	(34,743)	844	143,659
Selling and distribution expenses	**(62)**	(249)	(3,034)	(4,371)	(12,521)
Administrative expenses	**(40,612)**	(76,907)	(210,474)	(55,346)	(47,960)
Finance costs, net	**(7,380)**	(22,554)	(21,603)	(21,818)	(29,938)
Share of loss of an associate	–	–	–	–	–
(Loss)/profit before tax	**(85,646)**	(96,230)	(282,057)	(96,452)	132,734
Income tax credit/(expense)	**(365)**	(9,348)	18,641	14,812	(23,627)
Loss from discontinued operations	**(55,586)**	(12,477)	–	–	–
(Loss)/Profit attributable to:					
Owners of the Company	**(139,633)**	(117,240)	(261,414)	(78,661)	111,214
Non-controlling interests	**(1,964)**	(815)	(2,002)	(2,979)	(2,107)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	**493,011**	499,131	585,876	531,480	640,506
Non-current assets	**279,475**	384,366	481,345	532,622	521,339
Current liabilities	**263,623**	196,002	312,541	247,007	410,416
Non-current liabilities	**124,890**	156,338	128,952	96,907	49,226
Equity attributable to:					
Equity holders of the Company	**383,973**	525,910	624,302	716,791	695,912
Non-controlling interests	–	5,247	1,426	3,397	6,291

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from/(used in) operating activities	**4,228**	51,707	(101,274)	(43,921)	407,421
Net cash generated from/(used in) investing activities	**(98,897)**	19,645	(144,348)	29,632	(135,162)
Net cash (used in)/generated from financing activities	**97,348**	(48,953)	201,943	92,187	(289,900)

SELECTED FINANCIAL RATIOS

	For the year ended 31 December				
	2017	2016	2015	2014	2013
Gross profit/(loss) margin	**(124.39)%**	3.50%	(11.8)%	0.2%	21.51%
Net (loss)/profit margin	**(467.22)%**	(202.68)%	(89.45)%	(19.16)%	16.34%
Gearing ratio	**35.1%**	28.5%	30.2%	23.6%	23.0%